



Rochester Institute of Technology

**Controller's Office
Accounting Department
Eastman Building, 6th floor**

To: Institute Managers
From: Andrea Napoli, Manager of Accounting
Date: June 3, 2006

Subject: Fiscal Year 2006: Year-End Closing Procedures

The end of RIT's 2005-2006 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 processing year-end work according to the dates specified in this memo. In order to prepare the Institute's financial records for our 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 2006 Closing Process and Procedures".

A. Significant Year End Processing Dates

1. **Friday June 30th, 2006 at 12:30 p.m.:** In order for cash receipt deposits and Petty Cash receipts to be reflected on your FY 2006 June final department statements, take all transactions to the Cashier's Office by 12:30 p.m.
2. **Wednesday July 5th, 2006 at 4:30 p.m.:** The last day for departments to enter June journal entries on-line in order for them to appear on preliminary department statements.

All Additional Payment requests for work performed during fiscal year 2006 must be received in Payroll by July 5th to be reflected on June preliminary department statements.

3. **Thursday July 6th, 2006 at 1:00 p.m.:** The last day that FY 2006 Purchase Order invoices and Invoice Payment Forms will be entered into accounts payable for processing. Please do not hold invoices and invoice payment forms until the last moment. An even flow of paperwork to the Accounts Payable Office during June is appreciated. Invoices received in Accounts Payable after July 6th must be accrued by departments (see Section H for additional information regarding accruals).

4. **Thursday July 6th, 2006 at 4:30 p.m.:** Purchasing will automatically accrue purchase orders for items received in Oracle by Central Receiving on or before June 30th (i.e., PO's received without approved invoices in the accounts payable system). Verify your open PO's to ensure that received quantities are correct and should be accrued.
5. **Thursday July 6th, 2006 at 1:00 p.m.:** The last day that FY 2006 invoices will be entered into the accounts receivable system.
6. **Monday July 10th, 2006:** Preliminary June 2006 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 2006 adjustments are required.***
7. **Friday July 14th, 2006:** The **last** day for departments to enter June final journal entries on-line in order for them to appear on the final June 2006 department statements.
8. **Wednesday July 19th, 2006:** Final June 2006 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)	Lorraine McEvoy	5-2375
Budget Entries	Chris Monaco	5-5982
Capital Equipment Statements (Project 84200)	Kerry Phillips	5-2297
Department Statements, Encumbrances	David Castro	5-2237
Fixed Assets & Plant Project Accounts	Jane McGrath-Briggs	5-4933
Grants & Contracts (3XXXX projects)	Rosemary Andolina Gary Maccarone Diane Martz	5-2945 5-2902 5-2940
Special & Designated Projects (1XXXX)	Bob LaFleur	5-7762
Gift Projects (2XXXX)	Pricilla Schiffhauer	5-7872
Endowment Projects (6XXXX-7XXXX)	Cindy Podvin	5-2374
Invoice Payment Forms	Janet Bristol	5-2372
Journal Entries, Petty Cash, Deposits, Internal File Feeds	David Castro or Lorraine McEvoy	5-2237 5-2375
Payroll Expenses	Kitty Stappenbeck Christa Abugasea	5-5580 5-2418

Procurement Card Purchases, BTA & GTA Accounts	Valerie Russell	5-4491
Purchase Order Invoices	Janet Bristol	5-2372
Travel Expense Reports	Mary Kay Tyner	5-7221
Vendor System Contracts/External File Feeds	Lorraine McEvoy	5-2375

C. Fiscal Year 2006 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 2006 budget will be charged for all invoices for services or merchandise received on or before June 30, 2006. Your department’s FY 2007 (next year’s) budget will be charged for services or merchandise received on or after July 1, 2006.

Examples:

1. In April 2006, your department issued a purchase order for 10 boxes of toner, which is not actually received until August 2007. The cost of the toner is a FY 2007 (next year’s) expense because the toner was received in FY 2007 (after June 30, 2006).
2. In July 2006, your department receives an invoice for a reference textbook received in May 2006. The cost of the textbook will be charged to your FY 2006 (this year’s) budget since the textbook was received in FY 2006 (prior to July 1, 2006). Notify Central Receiving (x 5-2119) immediately if items ordered on a purchase order are delivered directly to your department so that they can update receiving information in the Purchasing system.

Payroll – Your department’s FY 2006 budget will be charged for all salaries and wages earned on or before June 30, 2006. Your department’s FY 2007 (next year’s) budget will be charged for all salaries and wages earned after July 1, 2006. Wages earned in the bi-weekly pay period beginning on June 9th and ending on June 22nd will be paid on June 30th. *The payroll distribution report for June 2006 will reflect these charges.*

An accrual for June 23rd through June 30th (eight days in the pay period June 23 – July 6, earned in FY 2006 and paid in FY 2007) will be processed prior to the preliminary June closing. The accrual will be automatically reversed in FY 2007.

Regular salaries for faculty and staff who are paid semi-monthly are not accrued since they will be paid on June 30th, 2006 for the period June 16-30.

All Additional Payment requests for work performed in FY 2006 must be received in the Payroll Office by July 6th to be reflected on your June preliminary department statements. Additional Payment requests for work performed in FY 2006 received up to July 17th will be reflected on your final June department statements. Additional Payment requests for services performed through June 30th that are received in the payroll Office after July 14th, will be reflected on your department’s FY 2007 department statement.

Examples:

1. A student in your department worked 40 hours during the pay period June 23-July 6. The student will be paid \$280 (40 X \$7.00) on Friday July 14th, in FY 2007. Prior to the preliminary June closing, Accounting will charge \$160 (\$280/14*8) to your department's FY 2006 budget on the student salary line (71250). In July (FY 2007), Accounting will reverse the accrual and a credit of \$160 will be reflected on the student salary line. The impact to your FY 2007 budget will be -0-.
2. On June 26th, your department processes an exempt Additional Payment request for a staff person for extra work performed during the pay period June 1-15. 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 2006 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 2007) 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 2006. These payments will not be reflected on your *FY 2006 budget*.

In July 2006, Accounts Payable will prepare the journal entry (Oracle category = Prepaid) to charge these expenses to the appropriate departments. These payments will be reflected on your FY 2007 budget.

Examples:

1. In June 2006 your department issues a purchase order for an annual copier maintenance contract and prepays for the service for the period July 1, 2006 through June 30, 2007. Accounts Payable will charge the expense to your department's next FY 2007 budget.
2. In May 2006, it is necessary to pay in advance for a business trip you will take in July 2006 (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 2007 budget.
3. In May 2006, you charge a conference registration fee for a conference being held in July 2006 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 x 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 2006, charging the expense to your FY 2007 budget.

E. Accounts Receivable

All income for goods or services provided to an organization outside of RIT during FY 2006 should be recorded by June 30th, *even if the payment has not 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 2006 to debit accounts receivable: XX.XXXXX.04000.00.XXXXX.00000 and credit the appropriate income account for your department: XX.XXXXX.XXXXX.00.XXXXX.00000.

Example:

1. CQAS provided a seminar for Lapp Insulators on May 9th, 2006. During May, a journal entry was recorded to Debit accounts receivable 01.63600.04000.00.00000.00000 and credit miscellaneous income 1.63600.59000.00.00000.00000. When payment is received by CQAS, they will prepare a Deposit ID Form to credit the accounts receivable account listed above (01.63600.04000.00.00000.00000). The accounts receivable will be cleared as a result of the deposit. If at the end of June, the invoice amount is not paid, it will be remain as a accounts receivable and a reconciliation will be required to the balance sheet account.

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. In FY 2006, record the income in a deferred income account: XX.XXXXX.36280.00.XXXXX.00000. In FY 2007, when the service is rendered, record the deferred income as revenue.

Examples:

1. In June 2006, Gates-Chili High School made a deposit to reserve the Field House for their high school graduations for 2007 through 2010. In 2006, the Field House will record the deposit in their deferred income account. In 2007, 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 2010 at which time all revenue will be recognized.
2. In June 2006, several alumni made reservations and paid the fee to attend the FY 2007 Brick City Weekend. In June 06, Alumni Relations will record the fee in their department's deferred account 01.XXXXX.36280.00.XXXXX.00000. In October 2006, 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 2006 officially ends on June 30, 2006, for a few days after that date Accounts Payable will continue to charge invoices and Invoice Payment Forms for goods and services received before July 1, 2006 to FY 2006 budgets.

Accounts Payable staff will process invoices for Purchase Orders, Invoice Payment Forms, and Travel Expense Reports for FY 2006 and FY 2007 simultaneously until Thursday, July 6th. 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 July 6th, the Purchasing Department will run a process to accrue purchase orders received by June 30th and not yet invoiced. This means that these items will be charged to your department's FY 2006 budget through the accrual process and will be reversed automatically in FY 2007. When the invoice arrives, it will be processed and paid in FY 2007, with no impact to your FY 2007 budget.

Accounting staff will process manual accrual entries for FY 2006 Invoice Payment Forms and Travel Expense Reports that have not been entered into the Accounts Payable system by July 6th.

H. Invoices Not Entered into Accounts Payable by July 6th

Purchase Orders – Items purchased through the purchasing system will be automatically accrued through a purchasing accrual process if they are received in Central Receiving on or before June 30, 2006. If items were delivered directly to your department, bypassing Central Receiving, please fax a copy of the packing slip to Receiving at x 5-6815. Receiving will update the purchasing system and the item will be accrued automatically.

Other Invoices – Occasionally, invoices for goods and/or services received on or before June 30th are received after July 6th. If you anticipate not receiving an invoice for a FY 2006 expenditure until after July 6th, 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 x 5-5583). When the actual invoice is received, indicate on the face of the invoice "Accrued FY 2006". Accounts Payable will process the payment with no impact to your FY 2007 budget.

Example:

1. Your department contracted for consulting services which were provided during April and May 2006. 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 2006 budget through the accrual process and reversed in FY 2007. When the invoice arrives, it will be paid in FY 2007.

I. Procurement Card Purchases

The closing date for items to appear on your June procurement card statement from JPMorganChase is June 30th. If you make last minute purchases and charge them to your procurement card, there is a possibility that they may not be charged against your FY 2006 budget. You should prepare an accrual journal entry (Oracle category = Year-End Accrual) and forward the documentation to Accounting, indicating the batch name, journal name, and date prepared (fax x 5-5583). Debit the appropriate expense account for your department and credit the following accounts payable accrual account: 01.15199.32900.00.00000.00000.

Example:

1. You purchased a desktop printer at COMP USA on your procurement card for \$322.92 on June 30th and the charge does not appear on your JPMorganChase statement, but it does appear on-line (Paymentnet) on July 1st. Prepare a year-end

“Year-End Accrual” journal entry for \$322.92 and send the documentation to Accounting. The amount will be charged against your FY 2006 budget through the accrual process and be reversed in FY 2007. When July billing information is received from Paymentnet, the printer will be charged to your department in FY 2006, with no impact to your FY 2007 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 is received and the invoice is approved for payment.***

Examples:

1. In June 2006 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 26th. At that time, the encumbrance will be reversed and the actual expense will be recorded on the ledger.
2. In June 2006 you ordered special forms to be delivered in August 2006. This expense will be charged to your FY 2007 budget since the order will be received after June 30, 2006. 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 2007 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 2007.

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 2006 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, may be confusing for departments. We will work with you 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.