

May 27, 2003

**MEMORANDUM**

**To:** Deans, Directors and Department Chairs

**From:** Diane Taylor, Assistant Comptroller

**Subject:** FY 2003 Year-End Closing for Current Funds

This Memorandum is intended to summarize general operating guidelines for the FY 2003 year-end closing. The business officer for your college, division, or department has more detailed information on these matters and on any additional procedures that may have been instituted by your Vice President or Dean. A schedule of cut-off dates for various types of accounting transactions is attached. It has been posted on FRS Web at <http://frsweb.umd.edu>. The following is provided as supplemental guidance concerning year-end procedures:

1. **Responsibilities:** Financial management responsibility is delegated by the President to the Vice Presidents and, in turn, to Deans and selected major program managers. The closing process is conducted by college and "major responsibility area" (MRA). Vice Presidents, Deans, and other persons serving as MRA managers have overall responsibility for efficient use of funds and may find it necessary to make adjustments among accounts within their areas of responsibility before the year-end closing.
2. **Accounts Payable (A/P):** Vendor invoices which are received along with signed receiving reports in the Accounts Payable Office by 4:30pm on Friday, June 20, will be recorded in FY 2003 by the June 30 closing. Other amounts owing to vendors will be recorded in FY 2004 unless Departments ask Accounts Payable to accrue additional expenditures for goods or services received by June 30. Requests for expenditure accruals -- substantiated by vendor invoices and signed receiving reports -- must be submitted to Chenise Patterson by close of business on Monday, July 7. Accrued expenditures will be recorded in FY 2003 FRS by July 11.
3. **Encumbrances:** It is critical that departments review all encumbrances to determine whether outstanding commitments are valid. Please submit requests for cancellation of invalid travel encumbrances to Syamala Hanumara in General Accounting. Submit all other encumbrance cancellations to Procurement. Cancellations must be submitted by 4:30pm, Friday June 20. Valid commitments will be rolled into FY 2004 in FRS. If you have any questions contact Diane Taylor on extension 5-2586.

4. Benefit Accrual: **NEW REQUIREMENT** - As a result of a new State requirement, annual leave payouts related to employees terminated or retired on or before year-end, but not paid to the employee until July, will be accrued at June 30. The employee's payroll account(s) will be charged with the expenditure. This entry will be prepared by the Comptroller's Office and recorded in FRS during the second week of July.
5. Contract and Grant funds: Indirect cost recoveries are recorded as a percentage of funds expended from contract and grant accounts. Accordingly, it is important to ensure that all valid charges against such accounts are posted by the FY 2003 closing deadlines.
6. Carry-Forward Funds: Vice Presidents, Deans and other MRA managers are asked to close out each year with positive cash balances and budget variances. Cash balances and budget variances will carry forward into the new year as follows:
  - A. Contracts, grants, and restricted gift funds carry forward within individual subsidiary ledger accounts.
  - B. Auxiliary Enterprise, E&G Designated, and "Self-Support" Accounts carry forward within individual activity balance sheets. Vice Presidents, Deans, and other MRA managers may transfer funds among such accounts to cover deficits. Deficits that are not eliminated must be approved for carry forward by the Finance Committee. Finance Committee policy requires deficit reduction plans for any account with a negative fund balance of \$25,000 or more at year-end. In addition, an interest charge of approximately 3% will be assessed on any account with an average cash deficit of \$10,000 or more for the year.
  - C. Unless alternative executive action is taken, balances remaining in Finance Committee funded projects and DRIF balances will carry forward as needed to accomplish the purposes for which approved.
  - D. Final closing surplus and deficit balances in individual State support accounts (FRS accounts 1-10000 through 1-19999) will carry forward at the discretion of the Vice Presidents and Deans subject to Finance Committee approval. After final year-end closing, the Finance Committee will review proposed carry-forward balances. With Committee approval, the Budget Office will consult with MRA managers to prepare budget amendments to carry forward specific State-support balances and to modify the FY 2004 Working Budgets as needed.
7. Clearing accounts: Departments are expected to reconcile clearing accounts monthly. Year-end reconciliations -- based upon June 30 closing data that will be available Monday, July 7 -- must be provided to Diane Taylor, by close of business on Wednesday, July 9. As

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a general rule, clearing account balances should be brought to zero each month and at year-end. However, we recognize that modest balances are inevitable and ask that such balances be limited to one or two weeks of activity and be immaterial in amount. Exceptions to this practice must be justified in writing along with the year-end reconciliation.

8. Inventories: Departments that maintain inventories of warehouse materials or goods for resale are asked to submit June 30 inventory information to Jeff Cohen in Plant Fund Accounting by close of business on July 8.
  
9. Equipment Inventory: All assets must be tagged by close of business on July 11.

Please note that specialized instructions to Auxiliary Enterprise and Self-Support Units will be sent under separate cover.

We anticipate having June 30 (first) closing data available for review on FRS Web on Monday, July 7.

Questions regarding these guidelines and procedures may be addressed to Diane Taylor, General Accounting, extension 5-2586 or dtaylor3@accmail.umd.edu. Questions regarding the details of specific transactions should be addressed to the business officer of your division, college, or department.

We appreciate your cooperation as we work together to achieve a smooth fiscal year closing. Please feel free to contact me with suggestions on improving this process.

Attachment