The Ledger

A Newsletter of the University Controller's Organization
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New Finance Web Reports Added

Three new reports have been added to the finance web reporting system.

Encumbrance Report
Fund Listing Report
General Ledger Reports

The encumbrance report provides a detail or summary report of encumbrance transactions that have occurred for a specified period along with month end balances. The report itemizes the encumbrances by document number. The grand total on the encumbrance report should agree with the month end commitment balance on the snapshot by organization report.

The fund listing report provides a listing of all active funds under a specified organization, department, or senior management area. There are 4 different sort options based on the parameters entered. The report can also be requested by fund predecessor.

The general ledger reports provide a summary by account and a detail transaction report for general ledger funds. Most departments do not use this report.

The transaction detail report was changed so that the user can request multiple fiscal periods for one report which will allow quarterly reporting.

If you have questions about these new reports, please call Doug Irvin (231-3381) or Shirlene Long (231-9260).

Fixed Asset Training

Training for the new Fixed Asset System is now available. All departmental equipment coordinators and interested employees should e-mail Vicki Trump at vtrump@vt.edu to register for classes.

This is a free, four-hour class that provides a detailed review of the new Fixed Asset Policy. In addition, participants will learn (hands on) how to update information for equipment in Banner, run reports and perform basic queries. Update access to the system will only be granted to employees who complete this class. Classes are limited to 15 and are held in Research Building VII, Suite 2050 at various dates and times.

Participants who are first time Banner users are encouraged, but not required, to take the Banner Finance Navigation Training class prior to this class. (Vicki can also register you for this two-hour class, which is taught the first Tuesday of each month.)

Payroll Pointers

Stipends (ST code) – is for scholarships only. Although we use the payroll system to disburse stipend dollars, stipends have no relationship to employment. The recipient should not have to perform any service to VT (now or in the future) in order to receive stipend money. If there is a requirement to perform services, the recipient is an employee and must be placed on the wage or salary payroll and NOT paid using the stipend code ST.

When dollars are paid through the system as a stipend (because there is no work requirement), no taxes are withheld and no year-end W-2 is generated. U.S. citizens are on the honor system to report this income when they file their taxes in accordance with IRS regulations on scholarships (Publication 520). However, different tax rules apply to International Students. For them, the university is required to collect taxes on the stipend and to report those amounts at year-end to the IRS on form 1042S. Please update your stipend notification letters accordingly. Foreign Nationals receiving a stipend should contact Martha Mullen at mlaster@vt.edu.

Determining whether a payment is a stipend or wages can be confusing. If you question whether work is being performed or if an assignment is a continuation of education and possibly required to graduate, please forward the details to Leisa Shelor at shelorl@vt.edu. She will have the situation evaluated and the correct coding determined.

For your International Students and Scholars: **International Tax Seminar –**
Martha Mullen, 5–7 PM, February 20,2002, 100 Hancock Hall
Reference IRS Publication 519, US Tax Guide for Aliens
http://ftp.fedworld.gov/pub/irs-pdf/p519.pdf

I-9 Completion – If you are responsible for the completion of the I-9 for a new hire and do not feel that you have had the necessary training, please contact Vicki Trump at vtrump@vt.edu to reserve space in the monthly training seminar. This training session is held to explain how to properly complete an I-9 Form. If you have a question while preparing the I-9, contact Jackie Hester at 231-5201 for immediate assistance. Also, on the Payroll website you will find a document which might be helpful at http://www.controller.vt.edu/forms/Key_Points_to_I9.pdf.

Address Updates – for student and non-student employees.
Please verify that your personal information is correct either by viewing at https://www.ban-vtweb.vt.edu/bprod/owa/hwgkogad.P_SelectAtypUpdate or looking at your printed Earning and Deduction statement. Pay close attention to the zip code.

Did you know???
All Virginia Tech ***residence halls have a 24060*** and NOT a 24061 zip code.

Kroger Vendor Payments

Kroger has grown into a large national corporation, and they use a payment processing center in Nashville, TN to apply Virginia Tech payments. Some payments have been applied to improper accounts because of insufficient documentation on the check stub. A couple of months ago, Controller's Office staff met with the local Kroger manager to try to determine how we could provide better information on Virginia Tech checks so they could apply our payments correctly. We had been simply providing the transaction number and the date of the charge. In our discussions with some of you in the departments, we learned that each department is assigned a customer number and when you use that number, your payment is much more likely to be applied correctly.

Kroger uses a 16-digit card number (like a credit card) when you charge supplies to your department; however, for security reasons, they do not list the 16-digit number on the receipt. Additionally, in an attempt to secure the internal number, they do not give the number to the customer. We have learned that 6 digits of the 16-digit card number appear on the monthly account billing. While you cannot use this monthly billing to pay the bills, you **can** use it to identify your Customer Number. Effective immediately, please start using the Customer Number as well as the transaction and date off the individual ticket received at the time of purchase.

Since the SPO has no space for a customer number, please list your **Customer Number** in the body of the SPO form. Continue to list the Kroger **ticket or transaction number** in the "Vendor Invoice" field of the SPO and the **ticket date** in the Invoice Date. These three (3) pieces of information will be sent to Kroger on the check stub for each invoice paid. As in the past, you must use the itemized ticket for Kroger purchases because that is the only information you receive that helps you document what supplies you purchased for the department.

If you want to simplify your bill paying to Kroger, you can use the American Express procurement card which Kroger does accept. When you use AMEX, you must still document all of the purchases and keep that information in you files; however, you do not have to be concerned about a later payment and misapplication of your payment. If you have questions about these procedures, please call Bradley Scott (231-3623) or send him an e-mail at bsscott@vt.edu.

Surplus Property Forms

It is extremely important when surplusing equipment that surplus property forms are properly completed. Equipment is defined as assets that have an original cost of $2,000 ($500 or more for SCHEV equipment) or greater and a minimum expected useful life of one year or more. We continue to see forms with a description of the equipment but no other information. To ensure equipment is properly removed from departmental inventories, please complete the Virginia Tech Bar Code Number (old number and barcode if available), manufacturer, model and serial number. Without this information it is very difficult, if not impossible, to properly remove equipment from departmental inventories.

Also, the new surplus property report form requires a departmental signature at the time items are removed from departmental possession. This form was designed to improve internal controls and provide an audit trail for disposals. Not all departments are complying with this requirement. The departmental signature signifies the official release (transfer) of items to Surplus Property therefore relieving the department of all responsibility. Without this departmental signature, the department could be held responsible.

New Center Form on Controller's Office Website

The 'Initial Creation of Departmental, College, and University Centers Form' is now on the Controller's Office website (http://www.controller.vt.edu/). This form was developed to consolidate information required for the creation of the college, departmental, and university centers. Representatives from the Office of Budget and Financial Planning, Personnel Services, and Purchasing assisted Controller's Office personnel in developing this form.

As the form gathers information that is specific to the business and human resource activities of the University, it is strongly encouraged that the form be completed with the assistance of departmental and college business officers. Please remember that the creation and operation of departmental, college, and university centers requires approval from the Provost's Office. University centers also need approval from Interdisciplinary Research Programs. This form also has a link from the Office of Budget and Financial Planning's website (http://www.obfp.vt.edu). For questions and comments, please contact Brad Martens at 231-8560 or bmartens@vt.edu.

Federal Facilities and Administrative (F&A) Cost Proposal

Fiscal year 2002 is the base year for this university's next Federal Facilities and Administrative Cost Proposal (formerly called Indirect Cost Proposal). The F&A cost proposal is very important to the university's goal of becoming a "top 30" research institution. It will be the basis for negotiating F&A rates used to recover F&A (indirect) costs on sponsored agreements. The current rate of 46% enables the university to collect in excess of $15 million annually to support the research mission. This spring will see a significant increase in the activity on campus in support of the F&A proposal. In addition to the extensive cost analysis and cost scrubbing performed by the Controller's Office, two major cost studies and an in-depth space survey must be completed prior to June 2002. The two cost studies, research-intensive building componentization and university infrastructure valuation, will be performed by outside consultants.

A building componentization study was last performed in 1998. At that time, 21 research-intensive buildings were reviewed. The new effort will attempt to cover all of the university's research-intensive buildings as well as the 21 reviewed in 1998. The successful completion of the building componentization survey will require departments to provide escorts to the consultant teams as they review the physical assets in each individual room within the selected buildings. Once the contract is negotiated, additional information will be provided to the various departments occupying the candidate research-intensive buildings.

The infrastructure valuation study is necessary to complete the implementation of Statement 34 of the Government Accounting Standard Board (GASB). This study will be performed by outside consultants with completion scheduled for June of this year. Most of the activity will be centered in the facilities group. However, the consultants may require access to departmental space in order to complete their review of the physical condition of the university's infrastructure. Once the contract is negotiated we will notify those departments affected as soon as possible to minimize the impact on daily operations.

The goal of the university space survey is to create a database that will support the assignment or allocation of space to the various missions of the university, i.e., research, instruction, public service, etc. To help us with this process, each organization occupying space in a research-intensive building has identified at least one individual to serve as their "space coordinator". This person(s) is responsible for verifying and assigning the necessary data elements to complete the space survey for each room belonging to the organization. In addition, the space coordinator must know or be able to identify all individuals (faculty, staff and graduate students) occupying each room as well as the projects—Banner funds—worked on in each room. Once the people and projects are identified, the space coordinator will complete the process by functionalizing the activity in each room, e.g. percent research, percent instruction, percent public service/outreach, etc. It is our goal to create a user-friendly web based system allowing each organization's "space coordinator" to enter the space usage information for rooms owned by their organization.

Cost Transfers

Cost transfers for salaries, wages, fringe benefits and operating expenditures are sometimes necessary to correct errors or reallocate costs as part of the normal course of business operations. The Controller's Office processes approximately 3,500 retroactive salary cost transfers each year. Almost all of these transfers reallocate funding across multiple pay periods, a large number effect costs originally posted to Banner more than 120 days in the past.

Recent federal audits at other universities have focused on cost transfers during the conduct of their review of the university's cost accounting disclosure statement. The federal auditors have expressed an opinion that cost transfers should not be routine and a large number of cost transfers is indicative of weakness in the university's internal controls related to financial transactions. The Controller's Office is revising university policy 3255-Cost Transfers on Sponsored Projects to align the policy with the guidance provided in the applicable Federal regulations and Federal agency audit guides. The significant changes are listed below.

University Policy 3255 – Cost Transfers on Sponsored Projects

- Transfers must be timely, all transfers must be fully explained on the transfer form.
- All cost transfers, to correct an error or to transfer costs to a closely related project, made 120 days after the initial charge was recorded in the university's accounting records must include an explanation of why the transfer was tardy in addition to the normal justification for the cost transfer.
- All cost transfers affecting effort certified by a Personnel Activity Report (PAR) must be submitted on the Personnel Services Form P-10, triggering a retroactive PAR.
- Cost transfer documentation for transfers processed less than 120 days from original cost posting to Banner must include
  - Full explanation and justification for the transfer
  - Certification of the propriety of the transfer by the principal investigator
  - Transfer is reviewed and approved by a responsible financial or administrative official of the organization managing the project receiving the cost transfer.
- Cost transfer documentation for transfers processed more than 120 days from original cost posting to Banner must include
  - Full explanation and justification for the transfer. (The explanation "to correct error" or "to transfer to correct project" is not sufficient.)
  - Certification of the propriety of the transfer by the principal investigator
  - Review and approval by a responsible financial or administrative official of the organization managing the project which is receiving the cost transfer.
- Costs must **NOT** be shifted between sponsored projects to cover expenditure overruns.

Accounting for Unallowable Costs

Most of the costs that fall within the unallowable category as defined by the Federal Government are necessary to meet the normal missions of the university. However, we must ensure that these types of costs are **NEVER** charged directly to Federally sponsored programs. Moreover, they should also be excluded from all other expenditures used to compute the F&A (indirect cost) rate. Therefore we need your help in identifying these unallowable costs. OMB Circular A-21 contains a complete listing of unallowable costs in Section J. A list of the most frequently encountered unallowable costs follows:

- Advertising and Public Relations cost not required for performance of a sponsored agreement
- Alcoholic beverages and Alumni activities
- Commencement and convocation cost at the college level and below
- Personal use of Institution-furnished automobiles
- Entertainment costs or social activities
- Losses on sponsored agreements
- Selling and marketing university products or services
- Fund raising (Development) costs

There are two methods available to ensure these types of unallowable costs are not charged as direct costs or F&A (indirect) costs to a federally sponsored program.

- For single activities collect all costs in a separate fund, for example, costs incurred by University Development are charged to one Banner fund.

- A single charge can be excluded by use of the "U" suffix on the Banner account code, for example, travel costs paid for a college commencement speaker from the dean's office could be charged using the Banner account code 1285U.

These types of costs are usually incurred by the Provost, Deans' offices or other administrative areas. However, unallowable costs could be paid in academic departments or elsewhere, and must be identified. For questions related to accounting for unallowable costs please contact Rick Richardson at 231-8558 or Dave McGarry at 231-3340.