TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.30, **Year End Close Processes and Deadlines**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish policies and requirements for complying with year-end deadlines and completing the annual financial close process for the Health Sciences Center (HSC).

REVIEW: This HSC OP will be reviewed on April 1 of every year (EY) by the Directors of Accounting Services and Procurement Services, with recommendations for revisions forwarded to the Executive Vice President of Finance.

POLICY/PROCEDURE:

1. **Introduction.** The fiscal year-end process ensures that financial transactions are accurately reported and certified in accordance with Generally Accepted Accounting Principles (GAAP), State of Texas requirements, federal regulations, grant obligations, and institutional policies.

   Year-end closing activities are necessary to:

   a. Accurately report TTUHSC's financial position and operating results.
   b. Ensure compliance with state and federal reporting requirements.
   c. Support the preparation of annual financial statements.
   d. Verify that revenue and expenses are recorded in the correct fiscal year.
   e. Certify the accuracy and completeness of financial records.

2. **Definitions.** Fiscal year-end processes are activities performed to close TTUHSC's accounting records at the end of the fiscal year and prepare financial information for reporting and audit purposes.

   a. **Fiscal Year End** – August 31st of each year
   b. **Close** – September 10th of each year
   c. **FOAP** – Fund, Organization, Account, and Program
   d. **FOP** – Fund, Organization and Program

3. **Deadlines.** Fund managers and departmental personnel should comply with published year-end deadlines in order to facilitate the annual financial close process for TTUHSC. Year-end deadlines are posted to the Business Affairs Calendar.Year-end deadlines are also communicated to departments through other communication channels including, but not limited to, the TTUHSC announcements page, and email notifications to fund managers.

4. **Accounting Year-End Considerations.**

   a. **FOP Review.** Fund managers are responsible for reviewing and reconciling all their FOPs to ensure revenue and expenses are recorded to the appropriate FOAPs. All discrepancies need to be investigated and resolved by the published deadlines.

   b. **Revenue Recognition.** Revenue must be recognized in the fiscal year in which it is earned. Revenue that has been earned during the fiscal year being closed, but has not yet been received, must be recorded as an accrual.

      i. Contract related revenue should be accrued through the Contract AR/Billing System, which is accessible through the Webraider portal, F&A Work Tools tab, Procurement section, under Contracting.

ii. Non-contract revenue should also be accrued. Departments should email Accounting Services at hscacc@ttuhsc.edu and provide the following information

a) Entity that owes TTUHSC.
b) Description of revenue.
c) Dates during which the goods were delivered or services were performed.
d) Documentation demonstrating TTUHSC's right to receive the payment.
e) FOAP.
f) Amount of accrual.

c. **Expense Accruals.** Expenses must be recognized in the fiscal year in which the goods were received or services were performed. If goods or services have been received but the invoice has not been received or cannot be processed by Payment Services prior to close, then the expense should be accrued. Departments should email Accounting Services at hscacc@ttuhsc.edu and provide the following information:

i. Vendor name.
ii. Description of the goods or services, include the business purpose.
iii. Dates the goods were received or services were performed.
iv. Documentation demonstrating TTUHSC owes the vendor.
v. PO#.
vi. FOAP.
vii. Amount of accrual.

Payment Services will notify Accounting Services of any invoice payment exceeding $10,000 that is processed after year-end close and meets expense accrual criteria. Accounting Services will evaluate this information to determine if additional accrual entries are needed.

d. **Revenue Deferrals.** Revenue received or billed before fiscal year-end for goods or services that will be provided in a future fiscal year. Any revenue received during the fiscal year end being closed but not earned in that fiscal year should be deferred.

These revenues should be deposited using the Cash Receipts System accessible on the Webraider portal, F&A Work Tools Tab, Business Affairs section under Student Business Services. Departments should contact Accounting Services at hscacc@ttuhsc.edu to obtain the correct account code for the deferral.

e. **Prepaid Expenses.** Expenses paid before fiscal year-end for goods or services that will be received or provided in a future fiscal year.
Payment Services will identify prepaid expenses according to the invoices and receiving reports received by their office. Payment Services will notify Accounting Services of such expenses for consideration of a year-end deferral entry to record the related prepaid asset. All prepaid assets should be appropriately expensed in the following fiscal year(s). Departments should pay close attention to grant funds to ensure that all expenses are recorded in the correct grant year.

f. **Fund Balances.** Fund Balance is the remaining financial resources available in a fund after accounting for all revenues, expenditures, transfers, and encumbrances. Fund Balance reports are available in Cognos daily. Once the fiscal year-end close processes have been completed, fund balances and reports may be considered final.

i. *Positive Fund Balance* – Indicates that revenues and other funding sources have exceeded expenditures and other uses. No additional year-end activities are needed.

ii. *Deficit Fund Balance* – Indicates that expenditures and other uses have exceeded revenues and other funding sources. For year-end purposes, all funds with deficit fund balances must be cleared by the published by year-end deadlines.

1. Covering deficit fund balances.
    a. Funding can be transferred from another FOP on an Option 4 budget revision through the Budget Revision System until August 31^{st} .
    b. Expenses can be moved to another FOP through the FiTS until the stated year-end deadline.
    c. If these systems are not available during year-end when the deficits are being covered send an email to Accounting Services at hscacc@ttuhsc.edu and provide the following information:
        i. Fund number with deficit fund balance.
        ii. Amount of the deficit to be covered.
        iii. FOP the deficit should be covered from.
        iv. If expenses need to be moved off to cover the deficit submit a completed Cost Transfer Form available on the WebRaider portal, F&A Work Tools tab, Accounting Services, Forms, and Frequently Used Forms along with the additional documentation required per HSC OP 50.18.

2. Deficit fund balances that are not cleared prior to the stated year-end deadline will be covered from the backup FOP on record or other departmental FOP with sufficient fund balance to cover the deficit.

3. *Educational and General Funds (E&G)* – All departmental E&G funds not fully expended or encumbered prior to close will be recaptured and swept to institutional E&G funds.

5. Deadline Exceptions. Exceptions to year-end deadlines will be kept to a minimum and may only be granted by the Director of Accounting Services. Continued disregard of the established deadlines may result in further disciplinary action as deemed appropriate.

6. Forms and Contacts. Appropriate contact lists and forms are provided on the Accounting Services website.