



Health Sciences Center  
NEW ORLEANS

# Accounting Overview Training



# Purpose of Accounting Overview Training

To provide University Business Managers and Financial Administrators with

1. A basic understanding of the authoritative bodies that set rules for Higher Education, State and Local Government accounting;
2. A basic understanding of the University's accounting system; and,
3. A basic understanding of the principles used to charge costs to institutional activities.



# Accounting Rule Setting Bodies for Higher Education, State and Local Governments

## Governmental Accounting Standards Board (GASB)

- Created in 1984
- Overhauled Accounting Rules for State and Local Governments in 1999
  - GASB Statement No. 34 – “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”
  - GASB Statement No. 35 – “Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities”
- New standards have moved governmental accounting to more closely resemble corporate accounting
- Changes driven by Wall Street investors



# **Accounting Rule Setting Bodies for Higher Education, State and Local Governments (Continued)**

## **Louisiana Office of Statewide Reporting and Accounting Policy (OSRAP)**

- Issues guidance on State of Louisiana interpretations of GASB pronouncements
- Sets policies for general accounting matters such as requiring all checks to be deposited within 24 hours of receipt

## **American Institute of Certified Public Accountants (AICPA)**

- The AICPA issues Statements of Auditing Standards (SAS) which set the standards for conducting financial audits and sets the criteria for reportable conditions such as audit findings.



# **Accounting Rule Setting Bodies for Higher Education, State and Local Governments (Continued)**

## **United States Government Accountability Office (GAO)**

- The GAO issues Generally Accepted Governmental Auditing Standards (commonly referred to as the Yellow Book) which set the standards for which financial audits of state and local governments are to be conducted and sets the criteria for reportable conditions such as audit findings.
- In recent years, the GAO and the AICPA have been working collectively to ensure consistency between Statements of Auditing Standards and the Yellow Book.



# **Accounting Rule Setting Bodies for Higher Education, State and Local Governments (Continued)**

## **United States Office of Management and Budget (OMB)**

- OMB issues circulars that provide authoritative financial and administrative guidance
- OMB Circular A-21 - “Principles For Determining Costs Applicable To Grants, Contracts, And Other Agreements With Educational Institutions”
- OMB Circular A-110 - “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
- OMB Circular A-133 – “Audits of States, Local Governments, and Non-Profit Organizations”



# **Accounting Rule Setting Bodies for Higher Education, State and Local Governments (Continued)**

## **National Association of College and University Business Officers (NACUBO)**

- Issues guidance on GASB pronouncements that are specific to Higher Education



# LSUHSC-NO Accounting System Overview

LSUHSC uses the PeopleSoft Financials system.

PeopleSoft uses Chartfields which are data attributes that are used to classify transactions and account balances.

The primary Chartfields used by LSUHSC-NO are:

- Account
- Fund
- Department
- Class
- Program
- Project



# LSUHSC-NO Accounting System Overview (Continued)

**Account** - a label used for recording and reporting in units of money, assets owned, liabilities owed, and transactions or other economic events that result in changes to assets and liabilities (i.e. revenues and expenses). Accounts are the building blocks of all accounting systems. LSUHSC-NO's account structure is as follows:

Assets – accounts between 100000 and 199999

Liabilities – accounts between 200000 and 299999

Net Asset (Fund) Balance – accounts between 300000 and 399999

Revenues – accounts between 400000 and 499999

Expenses - accounts between 500000 and 599999



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Account Screen

The screenshot shows the PeopleSoft Account Screen for account 501000. The interface includes a header with the user ID 'PS8FSPRD' and 'PSWEBFS6 DPS'. Navigation links for 'Home', 'Worklist', 'Add to Favorites', and 'Sign out' are present. A 'New Window' and 'Customize Page' link are also visible. The main content area is titled 'Account' and includes a 'Map to Alternate Account' link. The account details are as follows:

SetID: SHARE Account: 501000

**Effective Date** Find | View All First 1 of 1 Last

\*Effective Date: 08/30/2000 \*Status: Active [Attributes](#)

\*Description: Salary-Monthly-Regular Pay  Control Account

\*Short Description: MSL-REG  Budgetary Only

Statistical Account UOM:

Monetary Account Type: Expense Book Code:

Balance Sheet Indicator:   Allow Book Code Override

\*VAT Account Flag: Non-VAT Related Physical Nature:  VAT Default

OpenItem Account Edit Record:  Edit Field:

Prompt Table:  Description of OpenItem:

Reconcile Tolerance:  Reconcile Currency: USD

**Performance Measurement**

General Ledger Account  Performance Measurement Acct  ABM Account

Buttons at the bottom: Save, Return to Search, Notify, Add, Update/Display, Include History, Correct History.



# LSUHSC-NO Accounting System Overview (Continued)

**Fund** – the fund code is used to segregate transactions that have similar accounting rules. Some of the most common funds used by LSUHSC-NO are

Fund 111 - State Appropriated

Fund 112 - Auxiliary Enterprises

Fund 113 - Current Restricted Funds

Fund 114 - Interagency Transfers



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Fund Screen

ChartField Values - Windows Internet Explorer

https://ps8fs.lsuhs.edu/psp/fsprd/EMPLOYEE/ERP/c/DESIGN\_CHARTF...

File Edit View Favorites Tools Help

McAfee SiteAdvisor

ChartField Values

PS8FSPRD  
PSWEBFS6 DPS

Home Worklist Add to Favorites Sign out

Collapse (Ctrl+Y) Menu

New Window Customize Page http

**Fund Code**

SetID: SHARE Fund Code: 111

Effective Date Customize Find View All First 1 of 1 Last

*Effective Date	Status	Description	Short Description	Budgetary Only	Attributes
05/25/2005	Active	UNRESTRICTED FUND		<input type="checkbox"/>	Attributes + -

Local intranet 100%

Start 5 Micros... 5 Micros... Windows ... Microsoft ... ChartFiel... Accountin... 4:15 PM



# LSUHSC-NO Accounting System Overview (Continued)

**Department** – the department code is used to segregate transactions by LSUHSC-NO department: The department code structure is as follows:

School of Allied Health departments begin with 105

School of Dentistry departments begin with 122

School of Medicine Basic Science departments begin 110

School of Medicine Clinical Science and Administrative  
departments begin with 149

School of Graduate Studies departments begin with 135

School of Nursing departments begin with 155

School of Public Health departments begin with 158

All other department numbers represent central administrative and  
University wide departments



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Department Screen

ChartField Values - Windows Internet Explorer

https://ps8fs.lsuhs.edu/psp/fsp/EMPLOYEE/ERP/c/DESIGN\_CHARTF...

File Edit View Favorites Tools Help

McAfee SiteAdvisor

ChartField Values

PS8FSPRD  
PSWEBFS6 DPS

Home Worklist Add to Favorites Sign out

New Window Customize Page ntp

### Department

SetID: SHARE Department: 1651000

Effective Date	Status	Attributes
01/01/1901	Active	

\*Effective Date: 01/01/1901 \*Status: Active

\*Description: Accounting Services

\*Short Description: Accounting  Budgetary Only

Manager ID: Manager Name:

Done Local intranet 100%

Start 5 Micros... 5 Micros... Windows ... Microsoft ... ChartFiel... Accountin... 4:18 PM



# LSUHSC-NO Accounting System Overview (Continued)

**Class** – the class code is used to define the source of funds (i.e. State Appropriation, Federal Grants and Contracts, State Grants Contracts, etc.). Some of the more common class codes are:

10105 State Appropriation & Self generated funds

10205 State Interagency Transfers

20200 Federal Grants and Contracts

25200 State Grants and Contracts

35200 Private Grants and Contracts



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Class Code Screen

ChartField Values - Windows Internet Explorer

https://ps8fs.lsuhs.edu/psp/fsprd/EMPLOYEE/ERP/c/DESIGN\_CHARTF...

PS8FSPRD  
PSWEBFS6 DPS

Home Worklist Add to Favorites Sign out

New Window Customize Page

### Class Field

SetID: SHARE Class Field: 25100

Effective Date	Status	Description	Short Description	Budgetary Only	Attributes
01/01/1901	Active	State G & C-Total Budget		<input type="checkbox"/>	Attributes

Main Content

Done Local intranet 100% 4:16 PM



# LSUHSC-NO Accounting System Overview (Continued)

**Program** – the program code is used to classify how funds are used (i.e. Instruction, Research, Public Service, etc.). Some of the more common program codes include:

:

- 00001 Instruction
- 10001 Research
- 20001 Public Service
- 30001 Academic Support
- 40001 Student Services
- 50001 Institutional Support
- 60001 Operation and Maintenance of Plant
- 70001 Scholarships



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Program Code Screen

The screenshot shows a web browser window titled "ChartField Values - Windows Internet Explorer". The address bar displays the URL: [https://ps8fs.lsuhs.edu/psp/fsprd/EMPLOYEE/ERP/c/DESIGN\\_CHARTF](https://ps8fs.lsuhs.edu/psp/fsprd/EMPLOYEE/ERP/c/DESIGN_CHARTF). The browser interface includes a menu bar (File, Edit, View, Favorites, Tools, Help), a McAfee SiteAdvisor security indicator, and a toolbar with navigation and utility icons.

The main content area displays the "PS8FSPRD" application header with sub-headers "PSWEBFS6" and "DPS". Navigation links include "Home", "Worklist", "Add to Favorites", and "Sign out". Below the header, there are links for "New Window", "Customize Page", and "http".

The "Program Code" section shows the following details:

- SetID: SHARE
- Program Code: 00001

A table with the following columns is displayed:

Effective Date	Status	*Description	Short Description	Manager Name	Budgetary Only	Attributes
01/01/1901	Active	Instruction			<input type="checkbox"/>	<a href="#">Attributes</a>

The browser's status bar at the bottom shows "Done", "Local intranet", and "100%". The Windows taskbar at the very bottom includes the Start button and several open applications: "5 Micros...", "5 Micros...", "Windows...", "Microsoft...", "ChartFiel...", and "Accountin...". The system clock shows "4:16 PM".



# LSUHSC-NO Accounting System Overview (Continued)

**Project/Grant** - a 10 character code used to group related revenues and expenses together such as a grant, contract or similar cost objective.

Interagency Transfer projects begin with the number 4

Sponsored Projects (i.e. Grants and Contracts) begin with the number 1

Other current restricted fund non-sponsored projects begin with the number 5



# LSUHSC-NO Accounting System Overview (Continued)

## PeopleSoft Project/Grant Screen

ChartField Values - Windows Internet Explorer

https://ps8fs.lsuhs.edu/pspr/EMPLOYEE/ERP/c/DESIGN\_CHARTF...

File Edit View Favorites Tools Help

McAfee SiteAdvisor

ChartField Values

PS8FSPRD  
PSWEBFS6 DPS

Home Worklist Add to Favorites Sign out

New Window Customize Page http

Project

**Project**

SetID: LSUNO

Project: 101870001A

\*Description: HRSA - HA00591-02 2 \*Status: Active Attributes

Integration: LSUNO\_GRANTS  Summary Project

\*Start Date: 11/01/1992 \*End Date: 08/30/2005

Save Return to Search Previous in List Next in List Notify Add Update/Display Correct History

Done Local intranet 100%

Start 5 Micros... 5 Micros... Windows ... Microsoft ... ChartFiel... Accountin... 4:18 PM



# LSUHSC-NO Accounting System Overview (Continued)

## **Word about LSU Account Numbers (Legacy Account Numbers):**

LSUHSC-NO's previous accounting system which last processed transactions in July 2001, contained a data element named "LSU Account." LSU Account numbers were created for reference purposes from July 2001 to June 2009.

The data captured in this field is not consistent with the definition of the term "account" that is contained in Generally Accepted Accounting Principles issued by GASB or the Generally Accepted Governmental Auditing Standards issued by the GAO. Care should be taken when using this term so that there is no confusions with the generally accepted accounting definition of the term "account." For example, we want to avoid a customer or an auditor believing that we are referring to a bank account or an expense account when we are actually referring to a project or an unrestricted budget.



# Reporting Cycle and Basis of Accounting

LSUHSC-NO is required to close the last month of each fiscal year (June) using the full accrual basis of accounting.

Under the **full accrual basis of accounting**, revenues are recognized when they are earned and expenses are recognized when they are incurred. The earnings process is generally defined by the performance of services required to earn the revenue. The incurrence of expense is generally determined when goods are received or when services are performed.



# Reporting Cycle and Basis of Accounting (Continued)

The other eleven months of the year, LSUHSC-NO is on a “record what can be recorded” methodology.

Payroll and the associated liabilities are generally recorded in the period in which the payroll checks are issued.

Accounts payable transactions are generally recorded in the period in which the vendor invoice is paid.

Billing and Accounts Receivable transactions are generally recorded in the period in which the invoice is issued



# Reporting Cycle and Basis of Accounting (Continued)

## Accrual Accounting vs. Cash Basis Accounting

Timing of cash flows does not impact revenue or expense recognition

Revenues are recognized when services are performed, Cash receipts are recorded when cash is received. These events normally occur at different times.

Expenses are recognized when the expense is incurred. Cash disbursements are recorded when cash is disbursed. These events normally occur at different times.



# Reporting Cycle and Basis of Accounting (Continued)

The **General Ledger** is used to record monetary transactions of the University in the form of debits and credits. These transactions can be directly entered by journal entry or they can be interfaced from systems such as the Human Resource Management System, Accounts Payable, Billing and other systems. The General Ledger is considered the official books and records of the University and it is the basis of financial statement preparation and audits of the financial statements.

The General Ledger should be used as the basis for reporting and any financial information maintained outside of the General Ledger (i.e. “Shadow Systems”) should be reconciled to the General Ledger to ensure compliance with OMB A-110.



# Special Accounting Topics

## **Fringe Benefit Accounting**

The University has elected the fringe benefit rate methodology defined in OMB Circular A-21. This methodology calls for the University to estimate fringe benefit expenses and submit a proposal to the US Department of Health and Human Services (DHHS) six months prior to the start of the fiscal year. Once this rate is approved by DHHS, it is consistently applied to grants, contracts and other institutional activities.

## **Grant and Contract Management and Transaction Review**

The review of grants and contracts should place special emphasis on the difference between current year revenues and current year expenses. This difference may indicate unexecuted contracts, unbilled executed contracts and inappropriately charged costs. The main scope of the legislative audit is current year revenues and expenses.



# Cost Accounting

**OMB Circular A-21** (Principles For Determining Costs Applicable To Grants, Contracts, And Other Agreements With Educational Institutions) establishes the criteria for charging costs to grants, contracts, and other institutional activities.

OMB A-21 is federal law (2 CFR 220).



# OMB A-21 Key Points

Defines Direct Costs and Indirect Costs

Provides Specific Guidance on 54 Items of Cost

Defines methods for charging fringe benefit

Defines the methodology for computing indirect cost rates

Requires a disclosure statement of cost accounting practices for all organizations receiving \$25 million in federal assistance



# Section D.1 – Direct Costs

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently.

Examples of Direct Costs:

- Salaries and fringe benefits of faculty, technical staff, and research assistants
- Travel
- Laboratory supplies
- Animals and animal care



# Section E: F&A Costs

Facility and Administrative (F&A) Costs - “Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project.” (OMB A-21, section E.1.)

## Examples of F&A Costs

- Salaries of administrative and clerical staff
- Office supplies
- Postage
- Local telephone calls and line charges
- Memberships
- General use computers



## **Section J: General Provisions for Selected Items of Cost**

Provides principles to be applied in establishing the allowability of certain items as direct or indirect costs.

Section J 10 (2) – Payroll distribution system must reasonably reflect the activity for which the employee is compensated by the institution

J.29 – Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable.

# DS-2 Overview

Required for any institution with \$ 25 million or more in federal assistance

LSUHSC-NO reported \$ 68 million in federal assistance in FY 2008

Discloses the University's cost accounting processes, including processes for determining direct costs of sponsored agreements and process for calculating Facility and Administrative Cost Rates.

# DS-2 Section 2.1.0

## **Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives**

“LSUHSC-NO follows the general guidelines in sections D and E of OMB Circular A-21 in determining the treatment of costs”

# DS-2 Section 2.5

## **Method of Charging Salaries and Wages**

“Salaries and fringe benefits of faculty, professional staff (e.g. research associates), technicians, lab assistants, and graduate students associated with effort on research projects, instructional activities and other direct cost objectives are treated as direct costs.”

# DS-2 Section 2.5 (Continued)

## **Salary and Wage Cost Accumulation System**

A PER-2 is used to document the appointment of an individual to an authorized position.

A PER-3 is used whenever some change occurs to record the salary level and the expected distribution of salary payments between accounts.

# DS-2 Section 2.5 (Continued)

## **Salary and Wage Cost Accumulation System (Continued)**

Time and Effort reports will be sent to all faculty/professional every six months, except for those exclusions identified in 2.5.1

These forms (time and effort reports) are used as LSUHSC-NO's compliance with After-the-Fact effort distribution certifications.

These forms are signed by the individual, the principle investigator or another individual with first hand knowledge.

If retroactive changes are needed then the department will route a PER-3 to correct the distributions.

# Additional Comments

General Rule of Thumb - Costs of faculty effort should be charged to where it is expended

The concept of paying an employee from a source of funds is not supported by OMB A-21 or the DS-2.

“Spending down” a terminated sponsored project surplus balance by inappropriately classifying costs is a violation of the DS-2 and OMB A-21.

# Key Activities

**Preparation and Approval of Personnel Appointment Forms (PER-2)** – This is the activity where the initial distribution of salary cost is determined and set up in the HR system.

**Preparation and Approval of Personnel Status Change Forms (PER-3)** – This is the activity that is the basis for the processing of changes to the initial distribution of salary costs.

**Monthly Review of Grant and Contract Project Balances** – This is the process where revenues are compared against expenses and any unusual or unexpected surpluses or deficits are investigated and any necessary corrective actions initiated

# Consequences of Non-Compliance

DHHS-OIG Audit Findings

False Claims Act Violations

Legislative Audit Findings

Internal Audit Findings

Internal Compliance Audit Findings

# Accounting Services Website

<http://www.lsuhs.edu/no/administration/accounting/cost/costdefault.aspx>

Disclosure Statement (DS-2)

F&A and Fringe Rates

Other Resources (OMB Circulars, NCURA, COGR and others)

Policies and Procedures

