



# UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



## 2009 BUSINESS LEADERSHIP CONFERENCE

# Current Issues in Accounting

Wednesday, March 18

Workshop Session 5

8:15 am—9:30 am

Workshop Session 6

9:45 am –11:00 am

*Business Leadership at Illinois: Collaborating for a Brilliant Future*

# Workshop Presenter(s)

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# Workshop Presenter(s)

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# Workshop Objectives

- To mitigate recurring state fund issues
- To mitigate recurring self-supporting issues
- To recognize UBIT guidelines and when they apply

# Issues Related to State Fund Accounting

John Laroe

# Agenda

- Explain State Vouchering Process
- Discuss Importance of Properly Coding & Documenting State Expenditures
- Review Examples of Common Coding and Documenting Errors
- Suggestions & Tips
- Links to Helpful Tools

# State Vouchering Process— Overview

- Appropriations from the State—Spending Authority, Not Cash Up-Front
  - Handled on a reimbursement basis
  - State reviews expenses we submit for appropriateness and proper coding
  - When approval is granted, a reimbursement will eventually be issued (reimbursements currently delayed due to budget crunch)

# State Vouchering Process— Overview (cont.)

The appropriation dollars are categorized into various areas of spending, including (but not limited to):

- Payroll
- Travel
- Commodities
- Contractual Services
- Equipment
- Telecommunications
- Operations of  
Automotive Equipment



# State Vouchering Process— Overview (cont.)

- Spending categories—categorized between various “SAMS detail codes” on the State side (SAMS = State Accounting Management System)
- SAMS detail codes—similar to our Banner account codes

# State Vouchering Process— Overview (cont.)

A few examples of SAMS detail codes:

- Travel
  - 1291 – In-State Travel, Reimbursements to Employees
  - 1292—Out-of-State Travel, Reimbursements to Emp
  - 1293—In-State Travel, Payments to Vendors
  - 1294—Out-of-State Travel, Payments to Vendors
- Commodities
  - 1304—Office and Library Supplies
  - 1391—Household, Laundry and Cleaning Supplies
  - 1394—Office and Library Equipment, Not Exceeding \$100

# State Vouchering Process— Overview (cont.)

- Banner account codes—linked to a specific SAMS detail code
- Banner account codes—drive which SAMS detail code these transactions end up posting to in our State Clearing System (SCS)
- SCS—a bolt-on system to Banner used to submit these transactions to the State for reimbursement

# State Vouchering Process— Overview (cont.)

- Once the transactions post to the State fund in Banner, they feed into SCS the following day
- Review a sample of transactions to verify proper coding and descriptions were used
- Work with units on corrections and obtaining additional information if necessary
- Submit final transactions to State for reimbursement

# Importance of Properly Coding & Documenting Banner Transactions

- State is very strict on coding of transactions
- State requires additional information on some types of charges (e.g., travel)
- Proper coding and descriptions save time
- Allows us to submit expenditures to the State on a more timely basis; UI gets cash sooner
- Accurate coding=Accurate University financial statements

# Common Coding Errors

- Using “Employee Reimbursement” account codes on travel & conference registration expenses paid directly to vendors
- Using “Employee Travel” account codes for non-employees (e.g., job candidates being flown in for interviews; non-employees traveling to campus to speak at lectures, etc.)
  - Non-employee—132500 (vendor pmts) or 154900 (reimb)

# Common Coding Errors (cont.)

- Using travel account codes to pay for conference registration fees
- Failing to denote a proper account code when purchasing various items from Central Stores
- Using the 121100 “Office Supplies” account code for non-consumable office equipment such as staplers, adding machines, etc.
  - Office Equipment < \$100—use 121180 or 121181

# Commonly Misused Account Codes

- 131100 Foreign Travel-Employee Reimb
- 131200 Foreign Travel-Payment to Vendors
- 132100 In-State Travel-Employee Reimb
- 132200 OutState Travel-Employee Reimb
- 132300 In-State Travel-Payment to Vendor
- 132400 OutState Travel-Payment to Vendor
- 141600 Conf Registration Fees-Empl Reim
- 141650 Conf Registration Fees-Vendor Pay



# Common Documentation Errors

- Failing to fully explain the charge in the FOATEXT of the JV
- Providing inadequate description in the JV
- Failing to fully explain the charge in the “Comments” box of the P-Card system

# Common Documentation Errors (cont.)

- Not providing adequate information for travel charges
  - State requires the following information on all State travel charges:
    - Employee who traveled
    - Business purpose of the trip
    - Destination

# Suggestions & Tips for Better Documentation

- Provide a full description of the charge in the transaction
- Ensure the proper Banner account code is being used
- Give full C-FOAP to Central Stores, i.e. include appropriate account code

# Links to Helpful Tools

- Banner form FTVACCT—query on account codes
- Full List of Banner account codes updated daily is available in ViewDirect—FIFGRACTH

## Links to Helpful Tools (cont.)

- Full List of Banner account codes & descriptions—  
<http://www.obfs.uillinois.edu/accounts/documents/BannerCodes.xls>

# Out-of-State Travel—Payments to Vendors

- 132400 → Use to record payments made directly to vendors providing services to employees traveling to points 50 miles beyond the borders of the State of Illinois in connection with University business. Includes payments to hotels/motels, auto rental businesses, and common carriers such as trains, planes, and buses.

# Frequently Asked Questions

- State funds

<http://www.obfs.uillinois.edu/accounts/faqs.shtml#StateFund> (for the web version) or

<http://www.obfs.uillinois.edu/accounts/documents/FAQs-StateFund.pdf> (for printer-friendly version)

# Questions? State Funds

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**THANK YOU FOR YOUR COOPERATION!**



# Self-Supporting Funds, Sales Tax, Unrelated Business Income Tax

Roger Wade

# Self-Supporting Funds Overview— Today's Topics

- Recurring Issues
- Fact Sheets
- Excess Funds

# Recurring Issues

- Acceptable type of activity
- Restrictions
- Fee accounts
- Revenue recorded as negative expenditures
- Expenditures charged elsewhere

# Fact Sheets

- Due July 22, 2009 based on Period 12 closing data
- Source of revenue data
- Inventory
- Accounts Receivable
- Deferred Revenue
- Accounts Payable

# Excess Funds

- State of Illinois Legislative Audit Commission  
*“University Guidelines 1982”*
- Based on Entity totals, not Individual Fund
- Computation of Excess Funds
- Avoid Excess Funds
  - Match revenue & expenses
  - Include salaries & wages of individuals involved
  - Review rates regularly
  - Report all payables and deferred income
  - Planning prior to year-end

# Sales Tax Overview—Today's Topics

- General Information
- Taxable Sales
- Tax-Exempt Sales
- Occasional & Noncompetitive Sales
- Taxability of Purchases

# Sales Tax

- General Information
  - Sales and Use Tax Section 18.6 of the OBFS Policies & Procedures Manual
  - Current tax rates
  - Information on taxability and exemptions for other states

# Taxable Sales

- Sales of Tangible Personal Property
- Includes Sales from Fundraisers or Sales of Clothing (T-shirts, Caps, Jackets, etc.) to Students, Employees, Alumni or Other Individuals



# Tax-Exempt Sales

- Sales for Resale
- Sales in Interstate Commerce
- Sales to Exempt Organizations
- Sales of Services
- Other Items Specifically Exempted

# Occasional & Noncompetitive Sales

- Occasional Sales by a Nonprofit Organization are those not offered on a Continuing Basis
- Noncompetitive Sales are those that are not competitive with Business Establishments and that occur not more than twice per year
- IDOR views the University as one organization

# Taxability of Purchases

- IDOR granted University a governmental exemption from sales & use taxes
- Not exempt from Hotel Operators' Occupation Tax
- Tax Exempt Letter January 2005
- Purchases for resale, vendor required to obtain IDOR Certificate of Resale Form CRT-61

# Unrelated Business Income Tax Overview—Today's Topics

- UBIT criteria
- Exceptions/Modifications
- Special Rules
- Allowable deductions

# Unrelated Business Income Tax (UBIT)

- The University exempt from income tax, unless from activity meets ALL of these criteria
  - Must be a “trade or business”
  - Must be regularly carried on
  - Must not be substantially related to IRC section 501(c)(3) exempt purpose

# UBIT Exceptions/Modifications

- Exceptions for trade or business
  - Convenience of students, employees, patients
  - Conducted with a volunteer labor force
  - Selling merchandise substantially all of which was received as gifts or contributions
- Modification
  - Income from dividends, interest, royalties and rental of real property

# UBIT Special Rules

- Parking Facilities
- Income (ticket sales) from an athletic program
- Commercial Advertising
- Certain “qualified sponsorship payments”
- Presentation of performing arts by students
- Retail sales from book and supply store

# UBIT Special Rules cont.

- Food service activities open to the general public
- Income from scientific research carried on in the public interest
- Income from ordinary testing or inspection of materials



# UBIT Allowable Deductions

- Expenses directly related to production of unrelated business income
- Expenses indirectly related to production of unrelated business income
  - Personnel expenses
  - Expenses related to facilities used in production of income (utilities, depreciation, etc.)
  - Must be allocated between related and unrelated activities on a *reasonable* basis

# Frequently Asked Questions

- Self-Supporting Funds

<http://www.obfs.uillinois.edu/accounts/faqs.shtml#SelfFunds> (for the web version) or

<http://www.obfs.uillinois.edu/accounts/documents/FAQs-SelfSupportingFunds.pdf> (for printer-friendly version)

# Questions?

## Self-Supporting Funds

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# Questions?

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Questions / Concerns?