

## **FISCAL YEAR-END (FYE) CLOSING REMINDERS**

As the University's fiscal year-end approaches, your service center(s) should be reviewed for conformance with the following Stanford University service center policies and practices.

### **UNALLOWABLE COSTS**

Unallowable costs or activities should not be included in an academic department service center account. Your academic service center account(s) should be reviewed for unallowable costs or activities. Corrections should be made, as necessary, by transferring such costs to an appropriate unrestricted department account prior to the academic centers' FYE.

Please refer to the Stanford University Chart of Accounts for expressly unallowable expenditure types, and for further discussion of unallowable costs and activities. The Controller's website that provides unallowable vs. allowable definitions is: [http://fingate.stanford.edu/staff/fundsmgmt/res\\_jobaid/coding\\_allowable\\_exp.html#unallowable\\_use](http://fingate.stanford.edu/staff/fundsmgmt/res_jobaid/coding_allowable_exp.html#unallowable_use) Per Stanford University policy and generally accepted accounting principles (GAAP), capital equipment may not be direct charged to a service center account. Only the depreciation of equipment is an allowable cost to a service center.

Note that Administrative service centers are permitted to include unallowable costs in their rates (but also may not direct charge capital equipment). This is because these "administrative" service centers usually provide a significant level of services to auxiliaries and non-Stanford entities in addition to their internal SU users. The unallowable costs in Administrative service centers' rates are identified by Research Administration Policy and Compliance (RAPC) and/or Cost & Management Analysis (CMA), and are excluded from or adjusted for in CMA's Facilities & Administration (F&A, also known as indirect cost) rate calculations.

Administrative service centers (such as Utilities, ITSS, etc.) should review their costs for general appropriateness as FYE approaches.

### **AUGUST BILLINGS**

Service center managers must ensure that twelve months of billings for service center services are included in the fiscal year; i.e., that August services are billed by FYE. (A center may also be doing its normal billing for July services in August.) This is in order to match twelve months of September through August service center expense with 12 months of income.

### **ANNUAL BREAK-EVEN REQUIREMENTS: WITHIN +/- 5% OR +/-15%**

Per Stanford University policy, service centers must "break-even" by fiscal year-end unless one of the following conditions applies:

- a) The service center is operating under a long-term break-even or pricing agreement, an LTPA. None exist at present.

b) The service center is being operated on a calendar year basis. This applies to the two departmental stores service centers: Biology and Physics Stores.

c) The service center has discussed with and received a waiver from RAPC, for reasons that will be disclosed to SU's cognizant government agency, the Office of Naval Research (ONR). Lack of managerial oversight and corrective action throughout the year is not an acceptable reason for a waiver from the break-even requirement.

"Break-even" is defined as having a service center's net balance at FYE be within plus or minus (+/-) 5% or 15% of its fiscal year expenditures. The break-even percentage is calculated as shown below. (Examples of the breakeven calculation are shown in the "SU Service Centers: Policies and Practices" Manual, Exhibit B, which is available on the Office of Research Administration website [Service Centers - Practices Manual](#))

$$\frac{\text{Service Center Net Balance (FY Rev less FY Exp) +/- (Prior Year Balance, PYB)}}{\text{Service Center Fiscal Year Expenses}} = \text{x.xx \%}$$

The service center manager should review the center's actual break-even status to date. Then project its income, expense, net balance, and break-even position through August.

For an academic service center, a year-end balance falling within the +/- 15% break-even range will automatically be carried forward into the next fiscal year as a "Prior Year Balance" (PYB) in the 30001 object code. The VSC should break-even within +/- 15%. For an administrative service center, the break-even range remains +/- 5%, the within range year balance will also be rolled up to the award level under 30001 object code.

For all service centers, either an estimate of this current year's net balance or the actual net balance amount should be included in the service centers' next fiscal year's budget and rate calculations.

**RECOVERIES OUTSIDE +/- 5% or 15% BREAK-EVEN**

If a service center's projected year-end balance is more than +/- 5% or 15% break-even, corrective action should be taken prior to the fiscal year-end close. It may be appropriate for a center manager to use an estimate of the service center's net balance. If the balance can be projected fairly accurately, the center can refund or re-charge its users via a journal prior to the August close date or before the Controller's Office's initial September deadline.

OVER-recovery (rates were too high) the service center needs to credit back all of the users on a prorated usage basis for the fiscal year. The entire balance should be refunded to all of the service center's internal SU users in an equitable manner. That is, sponsored and non-sponsored University accounts should each receive an appropriate proportion of the total amount refunded, based on their actual fiscal year usage of the service center. There may be a problem posting credits to a closed award, please make the initial attempt on a "New" iJournal and if there are closed Sponsored Awards, change the PTA to the service center

PTA to post the journal and contact the appropriate OSR analyst for the correct PTA in order to clear the credit on a separate journal.

UNDER-recovery (deficit). If a service center's projected year-end balance is a deficit greater than 5% or 15% of its expense (an under-recovery), the center has two options:

- i) Charge back the entire under-recovery amount, proportionately, to all its current fiscal year users (in effect, applying a retroactive rate increase); or
- ii) Fund the entire estimated under-recovery amount, using the service center's guarantee or some other unrestricted department account. This subsidization of a service center's activities must be clearly identified in the journal description (for F&A (indirect) cost treatment purposes). Post the subsidy entry on an iJournal "New" journal, use revenue object code 48180, unless your service center has already assigned that code for some other purpose. The journal description should include, "Subsidize service center \_\_\_\_\_ for FY09 activities." If the subsidy is for specific expenses, i.e. gas tank rental charges for FY09, you may include it in the description. Please inform your service center analyst so that the subsidy amount will be correctly handled within the F&A (indirect cost) study. The revenue code 48180 is not required for the account that you are debiting, you may use service center expense code 58320.

In rare circumstances, an academic service center may be allowed to carry forward a balance greater than +/- 15%. There may also be a valid reason for an administrative service center to carry forward a greater than +/- 5% balance. These situations must be discussed with and approved by RAPC as soon as possible. RAPC will explain such variances and exceptions in its annual service center report to the Government.

**YEAR-END CLOSING PROCESS AND CALENDAR**

RAPC will post on the service center website the annual FYE memo listing the current Controller's Office FYE closing calendar's relevant dates and times, Exhibit F.

Preliminary August and total fiscal year end data will become available after 'Soft Close' early in September. If your service center is outside +/- 5% or 15%, or if your preliminary correcting estimate was materially incorrect, adjustment journals will then need to be made within the Hard Close period, to achieve a close to zero net balance before the fiscal year is closed. Refer to the 'annual' RAPC FYE closing memo for specific Controller's Office deadline dates and times and post any adjusting journal accordingly.

Please contact your service center analyst, if you have questions about your service center and FYE closing.

**Service Center Analysts List**

**Service Centers**

**Analyst**

Academic Centers

Earth Sciences, Engineering, and SoM

Christine Siu, 3-9063

School of H&S

Lisa Ciambrone, 5-4246

Independent Labs (Ginzton, HEPL, & CMR)

Marilou Hemenway, 5-9107

Administrative Centers

Utilities / O&M service centers, CP&M

Wenyi Christainsen, 3-5142

Facilities Procurement

Lisa Ciambrone, 5-4246

ITS-Shared Services, Computer Consulting,  
Technology Training

Christine Siu, 3-9063