

Finance Matters

January 2007

Records Management & Retention

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The cost of maintaining 8 cubic feet of records (the content of a 5-drawer letter size vertical filing cabinet) in an average state office for one year is more than \$2,100 per year

Detailed records of expenditures and receipts ensure that payments are made and received and provide documentation if/when payment disputes arise. In the long term, these records provide a basis for determining budgets, cost projections, financial goals, tuition, and salaries. In addition to serving an internal business purpose, financial and payroll records of the University are retained for tax purposes and to comply with other external reporting requirements including those imposed by federal and state sponsors for grants and contracts.

While the University relies heavily on information obtained from the central human resource and financial applications for decision making, certain details are only available from supporting information including copies of invoices to support payments made on purchase orders, invoice payment forms and procurement cards, travel expense reports, petty cash forms, deposit ID forms, payroll change forms, etc. That's when a strong records management system is important.

We're often asked how long departments should maintain copies of their invoice payment forms, travel expense reports etc. Before answering that question, here's some interesting information from Oregon State University's web site about the high cost of maintaining records:

"The filing equipment in your office has a significant impact on the efficiency and the effectiveness of your record keeping systems. The space in your office which is devoted to filing equipment is extremely valuable and is more costly than you might imagine. It is estimated that the dollar cost of maintaining 8 cubic feet of records (the content of a 5-drawer letter size vertical filing cabinet) in an average state office for one year is more than \$2,100 per year" (back in 1989)!

Now back to the question of how long departments should keep their copies of supporting documentation and other reports. Once the fiscal year ends and the annual external audit is complete, the Controller's office maintains the **official** documentation/records to comply with the IRS and other Federal guidelines for record retention.

- For a few months after the completion of the audit, we keep original documents for the previous year in the George Eastman Building. During this time, the documentation is scanned and saved on a centrally maintained, secure network server.
- Once the scanning is complete, the original documents are boxed and sent to a storage location where they are maintained for the amount time required to comply with external guidelines.

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Oracle Applications Update: Accounts Receivable



A centralized Accounts Receivable (AR)/billing system is utilized to record invoices for goods and services provided to customers in a timely fashion. Our goal is to utilize Oracle AR campus-wide to prepare and record invoices to external organizations (not including billings for student tuition, room, board and fees). A centralized AR system has the following benefits:

- Correctly records revenue at the time goods and services are provided, as opposed to when the income is received (assets are recorded timely on the Balance Sheet)
- Provides a uniform/consistent way to invoice external customers
- Tracks the outstanding amounts due RIT in one central system
- Centralizes the cash receipt process and provides segregation of duties
- Interfaces with the Oracle general ledger, reducing the number of manual journal entries required
- Provides customer histories and account detail
- Provides monthly billing, collection, and aging reports

SPFMS, CIMS and PAL were the first to go live on AR in September 2005 and we are now working with departments across campus to switch them over to this centralized billing process. We trained several departments in October 2006 and they are now providing information to Accounting to get their customers set up (Accounting maintains the customer files), etc. A January 2007 start date is expected for these areas. Our goal is for all RIT departments to use the central accounts receivable system for customer billings by the end of fiscal year 2007. If you missed the October training session and your department prepares external billings, please contact Lorraine McEvoy in Accounting.

To obtain more information about Oracle Accounts Receivable, contact Lorraine McEvoy, Sr. Staff Accountant, Accounting & Financial Reporting at ext. 5-2375 (lmmtg@rit.edu).

A Message from Property Control

If your department has not yet completed its fiscal year 2007 equipment inventory, later this month you'll receive a complete listing of all equipment currently in the University's fixed asset system for your department. Please update/complete the forms as requested, including information about assets no longer in service and the current location (e.g., building and room number) of your department's equipment. Then sign the certification, obtain your department head's approval and return the information to Property Control by the due date. Property Control will update the fixed asset system with the information you provide so that it accurately reflects your department's current assets.

A comprehensive fixed asset system contributes to the accuracy of the University's financial statements (see the box to the left). Periodic physical inventories are one critical control found in a strong property control system (and physical inventories also required by the Federal government). Your assistance in performing the essential task is appreciated. If you have questions about the information you receive from Property Control, please call Jane McGrath-Briggs at ext. 5-4933 (jfmcto@rit.edu).

Oracle iExpenses, an extension of Oracle Payables, is coming soon.

Watch for information about iExpenses, the new employee reimbursement module, in an upcoming issue of Finance Matters.

As of June 30, 2006, the total value of equipment (with an acquisition cost of \$1,500 or more) in the University's fixed asset system was \$141 million less accumulated depreciation of \$81 million. The total number of fixed assets was 17,967.

Did you know that Gift Certificates are treated as Compensation?

Employees are often surprised to learn that gifts and gift certificates given to them by an RIT department are considered taxable income by the IRS. When you purchase a gift certificate/card for an employee or non-employee, complete the information on the "Gift Certificates Given" form available on the Controller's office web page (see the link below) and return it to Accounting (attn: Andrea Napoli, 6th Floor, George Eastman Bldg). <http://finweb.rit.edu/controller/forms/giftcertificatesgiven.pdf>

Here's what happens next:

- ✓ If the recipient is not an employee, he/she will receive a Form 1099 from RIT in January for the total amount received in the prior calendar year, if the amount paid to them is \$600 or more.
- ✓ If the recipient is an employee (including student employees), the amount will be added to his/her W-2 wages.
- ✓ The last question on the Gift Certificates Given form - "will the department pay for the tax gross up?" - pertains to employees only. This means that when the amount of the gift certificate, or the value of the gift, is added to the employee's W-2, it will be treated as wages with the appropriate taxes withheld. If the department wants to cover the tax amount, Payroll will "gross-up" the wages so that the employee does not incur an out of pocket expense as a result of the gift. For example, when a \$100 certificate is given to an employee, the gross up for taxes would be \$66.67. If the department pays the tax amount, the charge to the department would be \$166.67 and the "net" gift to the employee would be \$100. If the department does not pay the gross up, then the "net" to the employee would be \$60 (\$100 gift - \$40 in taxes).

Here's some other information you should know if you're thinking about awarding gift certificates:

- ✓ They can never be given to an employee in lieu of wages. Payment for services rendered by employees must be processed through the regular payroll process.
- ✓ No matter how small the amount, gift certificates are always taxable - they are not considered "de minimus" by IRS standards (refer to the information to the right.)
- ✓ If you paid for the gift certificate with a procurement card, attach the original receipt and the "Gift Certificates Given" form to the procurement card statement when you send it to Accounting and send a copy of the form to Andrea Napoli.
- ✓ Do not request reimbursement for gift certificates paid by cash through the petty cash process. Request reimbursement through Accounts Payable on an Invoice Payment Form. Send the "Gift Certificate Given" form to Andrea Napoli.

Call Christa Abugasea at ext. 5-2418 (ceapay@rit.edu) with questions regarding gifts to employees and related payroll taxability. If you have questions about the "Gift Certificates Given" Form, call Andrea Napoli, at ext. 5-2911 (alnatg@rit.edu).

*According to the IRS, employers can exclude the value of a de minimis (minimal) benefit provided to an employee from the employee's wages. A de minimis benefit is defined as "any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable". **Cash (including gift certificates and gift cards), no matter how little, is never excludable as a de minimis benefit.***

Upcoming Oracle Training

Training classes, designed to familiarize employees with the Oracle financial applications, are offered monthly from September through May.

- ✓ Purchase Requisitions
 - January – 10:00 am – 11:30 am on 1/24
 - February – 10:00 am – 11:30 am on 2/14
 - March – 10:00 am – 11:30 am on 3/14

- ✓ Journal Entry*
 - January – 12:30 pm – 4:15 pm on 1/24
 - February – 12:30 pm – 4:15 pm on 2/14
 - March – 12:30 pm – 4:15 pm on 3/14

- ✓ General Ledger/Report & Inquiry*
 - January – 12:30 pm – 4:15 pm on 1/24
 - February – 12:30 pm – 4:15 pm on 2/14
 - March – 12:30 pm – 4:15 pm on 3/14

To register for training classes, go to the CPD web site: <http://finweb.rit.edu/cpd/technology.html>.

*classes are combined in one session

Upcoming Accounting Workshops

Accounting Practices, Procedures, and Protocol training is a series of two-hour workshops designed for those individuals at RIT who are responsible for financial transactions and/or developing and maintaining department, college, or division budgets. Here's a list of upcoming workshops:

- ✓ January 9th – Accounting for Fixed Assets; Purchasing Processes
- ✓ February 6th – Accounting for Grants & Contracts
- ✓ March – Intro to Accounting (3/13); Oracle Reports & Reconciliations (3/13); Reconciling Balance Sheet Accounts (3/20); Procurement Card Processes (3/20)

For class times and to register for training workshops, go to the CPD web site: <http://finweb.rit.edu/cpd/technology.html>.

Controller's Office News

We've had quite a few staffing changes over the last few months including retirements, promotions and new hires. The Directory on the Controller's Office web page provides a complete listing of our staff along with their titles and a brief description of each staff member's current responsibilities. Please visit the Directory on the Controller's Office web page: <http://finweb.rit.edu/controller/aboutus/directory/>. While you're there, please take a moment to read our updated Vision and Mission statements: <http://finweb.rit.edu/controller/aboutus/mission.html>.

JANUARY 2007						
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FEBRUARY 2007						
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MARCH 2007						
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- Certain documentation (e.g. procurement card statements, account reconciliations, and accounts payable invoices) is kept in storage for nine months following the end of the fiscal year (the Federal government will accept facsimile documentation), and then discarded by Certified Document Destruction and Recycling, Inc.

Scanning and saving documentation on a server has made the process quite efficient – the Controller's server is a safe place to store documentation and it allows our finance staff (who are located in various buildings across campus) to retrieve data quickly.

Even though the majority of the accounting/accounts payable documentation is scanned, there is some documentation (e.g. petty cash and deposit forms) that isn't scanned at the present time. Hard copies are stored in Building 99 for the required length of time.

Now back to the question of how long departments should maintain their copies of accounts payable documentation. Since the original documentation is maintained centrally by the Controller's Office, it's really a matter of convenience for departments to keep copies. We recommend keeping information for one year beyond the end of the fiscal year. For example, keep copies of documentation for fiscal year 2006 (July 2005 – June 2006) until July 2007. Be sure to dispose of documentation safely and securely.

How long should departments keep department statements and other Oracle reports?

Since department statements and other Oracle reports are available in the financial application as far back as fiscal year 1999, there really isn't a need to keep copies in your files. However, for convenience (and to save trees), we recommend that departments keep hard copies of statements and reports for current fiscal year and the prior fiscal year only. Once the annual budget preparation season is over, dispose of the reports. You may want to keep the final June report to refer to later.

For information on how to print Oracle reports from previous fiscal years, contact David Castro at Ext. 5-2237 (dacbur@rit.edu).

Here's a good rule of thumb to follow regarding your departmental accounting/accounts payable records: if the information you have on file is a copy, keep it only as long as it's useful to you but no longer than one full year beyond the end of the current fiscal year. Before purchasing a new file cabinet, think about the high cost of filing and maintaining records and remember that the official records are maintained by the Controller's Office.

If your departments is responsible for maintaining original documentation (i.e., supporting information for departmental chargebacks), contact the Controller's Office if you have questions about how long you should maintain the information.

According to the Federal government's OMB Circular A-110 (which contains standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education), financial records, supporting documentation, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report.
