FINANCIAL INFORMATION SYSTEM

Identifying & Correcting Negative Balances



Course Agenda



- What is a "Negative Balance"?
- How do Negative Balances occur?
 - Sources of Negative Balances
- Identifying Negative Balances
 - Funds Center / Fund Balance Listing Report
- Determine Source of Negative Balance
 - Funding: Funds Center or Fund Report
- Correcting Negative Balance

What is a Negative Balance?



"Negative Balance" means:

1. spent more than budget in the current fiscal year

or

2. spent more in a previous fiscal year and the negative amount was "carried forward"

Example:

	Budget -	(Commitments + Actuals)	= Balance
1.	3,000.00	4,500.00	1,500.00-
2.	195.00-	0.00	195.00-

How do Negative Balances occur?



Common belief:

There is funds availability checking at U of T, it's impossible to have a negative balance.

In most cases (e.g., manually entered transactions) this is true, but there are some exceptions.

The most notable exception and source of over 95% of negative balances is:

** Payroll Transactions **

Sources of Negative Balances



 Payroll transactions are part of a "batch" process and are posted regardless of available funds.

For Funds Centers and FC/Fund:

- If budget exceeded -
 - payroll actuals will still be posted
 - the account is placed in a deficit position

For Research FC/Fund:

- If Fund End Date is in the past or has a "NoPo" status -
 - the Fund will be removed
 - the payroll actuals will be posted directly to the HRIS default Funds Center (i.e., PI or Operating FC)
 - the FC may be placed in a deficit position

Training Documentation: Research Funds - Automated Fund Closeouts, Payroll Redirects and "NoPos"

 http://www.research.utoronto.ca/wp-content/uploads/2011/04/Research-Funds-Management-Course-Notes.ppt

Sources of Negative Balances



- 2. Negative Carryforward: When a shortfall in revenue actuals vs. revenue budget results in a negative budget entry.
 - For example, a department budgeted for more revenue than was actually collected, resulting in a deficit.
- **3.** Incorrect combination of Funds Center/Fund when Fund has a budget tolerance.
- 4. Budget Tolerance exists (FC or FC/Fund):
 - ensure not a data entry error: If not a data entry error correction is NOT required
 - However, if budget is not expected in upcoming FY:
 - best practice do a budget transfer to cover the negative balance or process a journal entry to move the expense to a different funding source

Identifying Negative Balances



Menu Path:

Accounting >> Funds Management >> Information System >> Funds Management Section (UofT Reports) >> Financial Summary Reports >> Funds Center/Fund Balance Listing report

Transaction Code: ZFTR017F

Funds Center/Fund Balance Listing Report

Report is run in FIS to find your current budget, commitments, funds available as well as accounts that are in deficit.

Characteristics:

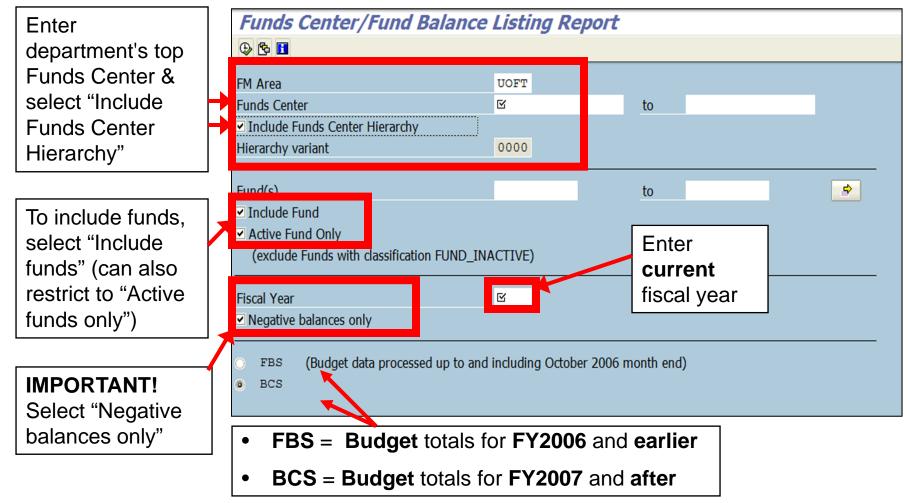
- Report displays all Funds Centers and Funds that have a negative balance status
- Selection criteria enables you to narrow report output to FC's and Funds that have a negative balance by selecting the "Negative balances only" checkbox

QRG: FC and Fund Balance Listing Report

 http://finance.utoronto.ca/wp-content/uploads/2015/11/FC-and-Fund-Balance-Listing-Report-Converted.pdf

Funds Center/Funds Balance Listing Report – Selection Screen





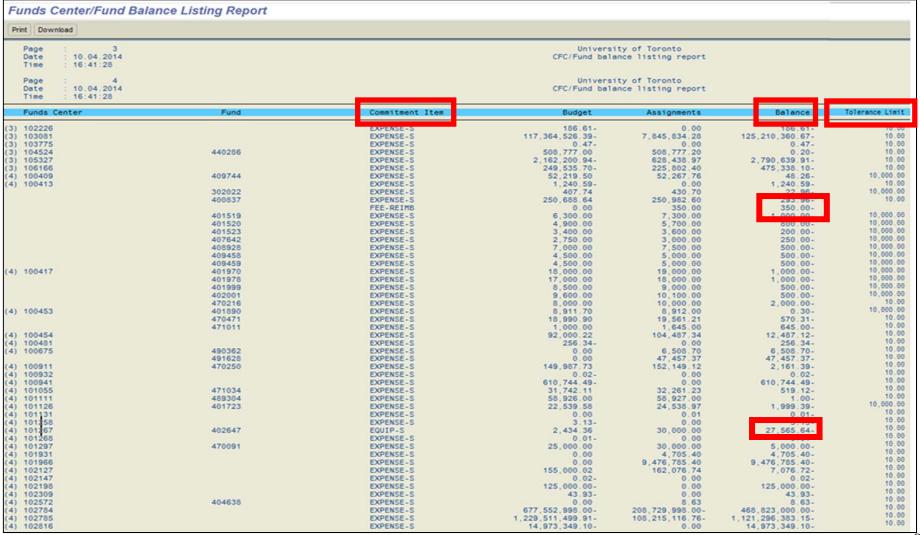
QRG: FBS-BCS Radio Buttons

http://finance.utoronto.ca/wp-content/uploads/2015/10/fbsbcsradio1.pdf

Funds Center/Funds Balance Listing Report Report Output



The report lists all FCs and FC/Fund combinations with negative balances at the **commitment item level** with the corresponding Tolerance limit.



Determine Source of Negative Balances



Begin investigating by running report "Funding: Funds Center or Fund"

Menu Path:

Accounting >> Funds Management >> Information System >> Funds Management Reports (UofT) >> Financial Summary Reports >> Funding: Funds Center or Fund report

Transaction Code: ZFM1

NOTE: If the source of the Negative Balance cannot be identified, contact your FAST Team representative for assistance.

FAST Team Representatives – Contact Info

http://finance.utoronto.ca/fast/fast-team-contacts-and-faculty-representatives/

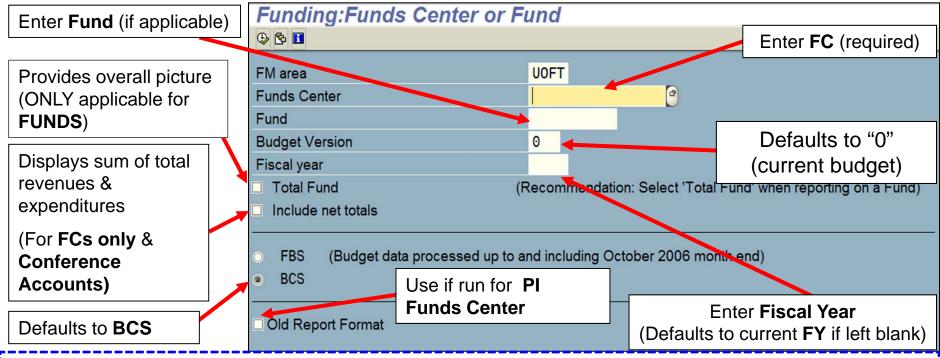
QRG: Funding by Funds Center or Fund Report

http://finance.utoronto.ca/wp-content/uploads/2015/10/ffcorfundrpt.pdf

Funding: Funds Center or Fund Report

Menu Path: Accounting >> Funds Management >> Information System >> Funds Management Section (UofT Reports) >> Financial Summary Reports >> Funding: Funds Center or Fund

Transaction Code: ZFM1



QRG: Funding by Fund Center or Fund Report

http://finance.utoronto.ca/wp-content/uploads/2015/10/ffcorfundrpt.pdf

QRG: FBS - BCS Radio Buttons

http://finance.utoronto.ca/wp-content/uploads/2015/10/fbsbcsradio1.pdf

GTFM Policy: Conference Accounts

http://finance.utoronto.ca/policies/gtfm/financial-management/fis-accounts-establishing-changing-and-deactivating/conference-accounts/

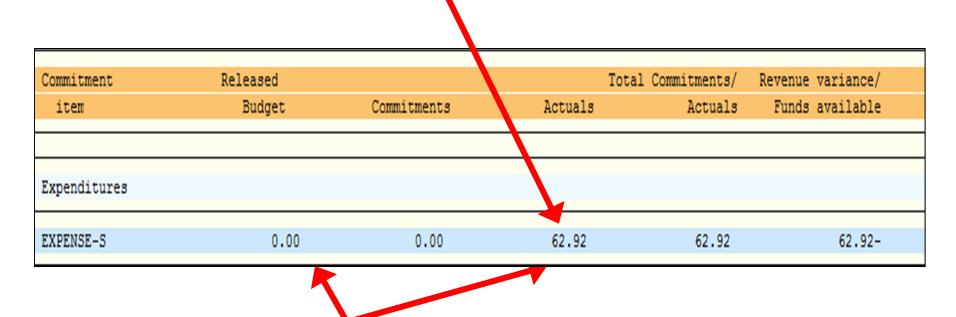
Funding: Funds Center or Fund – Output (PI FC or FC/Fund)



SCENARIO 1:

Current fiscal year budget = 0.00, Actuals = 62.92, Negative Balance = 62.92-

Drill down on the "Actuals" to source the negative balance.



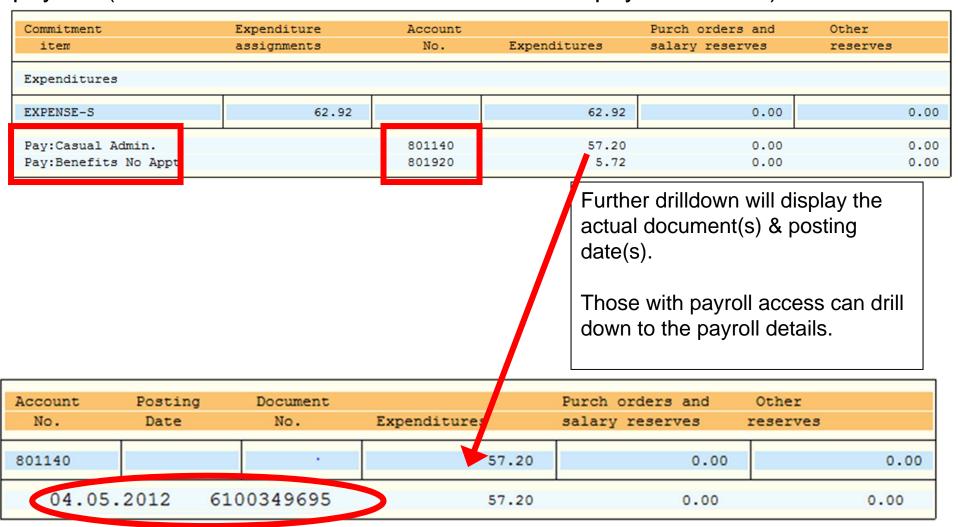
"Actuals" were posted against a Funds Center that had 0.00 budget.

This would appear to be payroll related.

Funding: Funds Center or Fund – Drilldown



From Commitment Items and G/L accts, charges were posted through payroll. (G/L accounts that start with 801XXX are payroll related.)



Funding: Funds Center or Fund – Drilldown

Payroll/Employees data				
Personnel no. Last name	First name	Amount	Position description	
I				
00077777 Dimitriadis	Chris	57.20	No position description	
	Total:	57.20		
=========				

Those with payroll access can drilldown to determine where the expense should have been posted:

- to check the HR data to see who entered it
- contact that person and verify the funding source

If the correct funding source can be entered in HRIS:

 the system will retroactively post the corrections to the next month's statement of accounts

If the correct funding source cannot be entered in HRIS, (i.e. posted salary was for a prior calendar year):

transfer the expense to the correct accounts via a journal entry

Funding: Funds Center or Fund – Scenario 2



SCENARIO 2:

Current fiscal year budget = 640.64-, Actuals = 0.00, Negative Balance = 640.64-



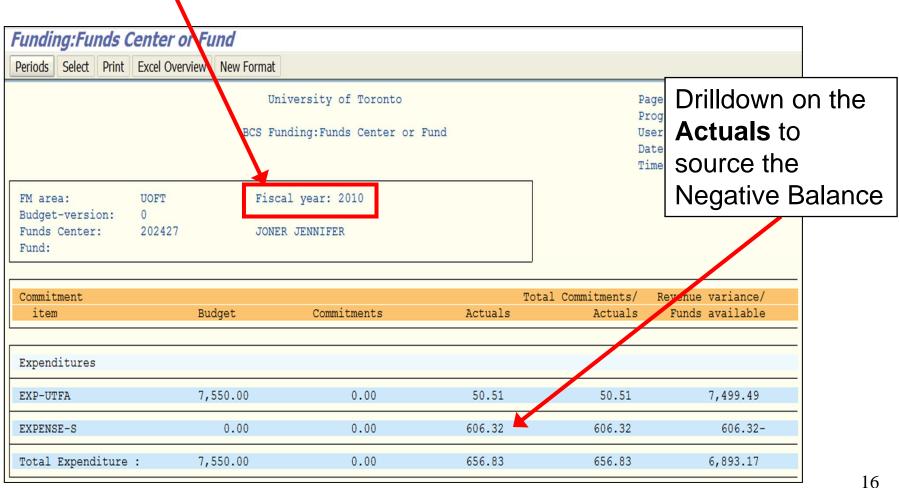
Since "Actuals" were NOT posted in the current fiscal year, look at prior years to see when the **negative balance originated**.

Run the **Funding: Funds Centers or Fund** report for each fiscal year, in descending order from the current year to pinpoint the negative balance.

Funding: Funds Center or Fund – Scenario 2



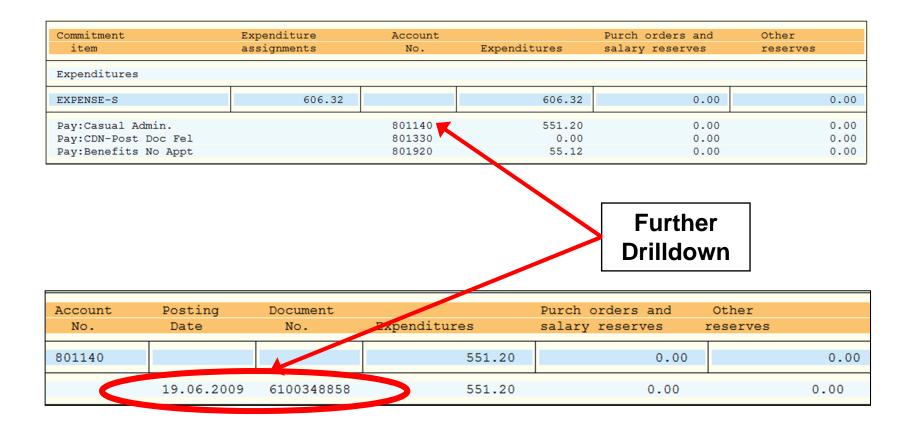
In FY 2010, Actuals are part of the Negative Balance that has carried forward to the current fiscal year.



Funding: Funds Center or Fund – Drilldown

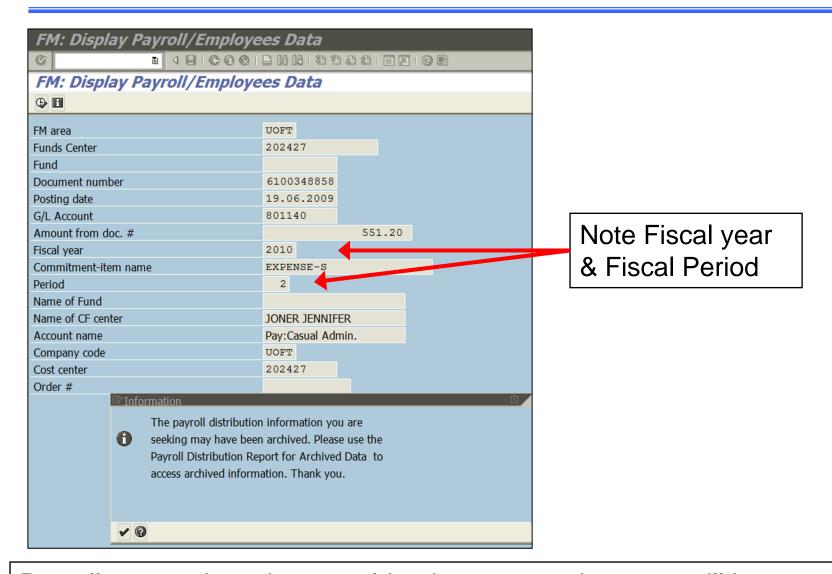


From Commitment Items and G/L accts, charges were posted through payroll (G/L accounts that start with 801xxx are payroll related)



Funding: Funds Center or Fund – Scenario 2





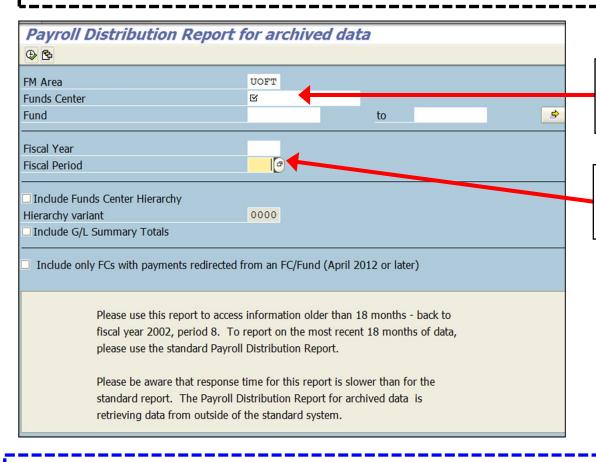
Payroll transactions that are older than 18 months users will have to run the Payroll Distribution Report for Archived Data.

Payroll Distribution Report – Scenario 2

Menu Path:

Accounting >> Funds Management >> Information System >> Funds Management Reports (UofT) >> Month-End Reports >> Payroll Distribution Report for archived data

Transaction Code: ZHJR_ZHJR004A



Enter Funds Center **Or** Funds Center & Fund

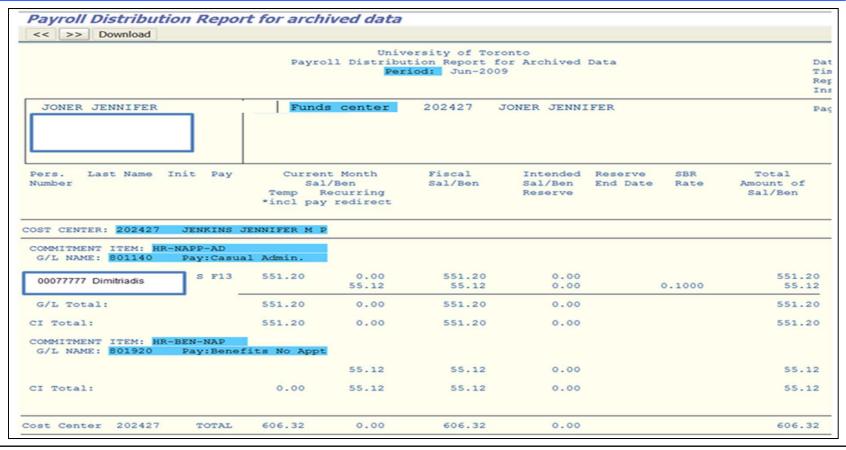
Enter Fiscal year & Fiscal Period

QRG: Payroll Distribution Report for archived data

http://finance.utoronto.ca/wp-content/uploads/2015/11/Payrol_Distribution.pdf

Payroll Distribution Report – Scenario 2





Run the Payroll Distribution Report to determine where the expense should have been posted:

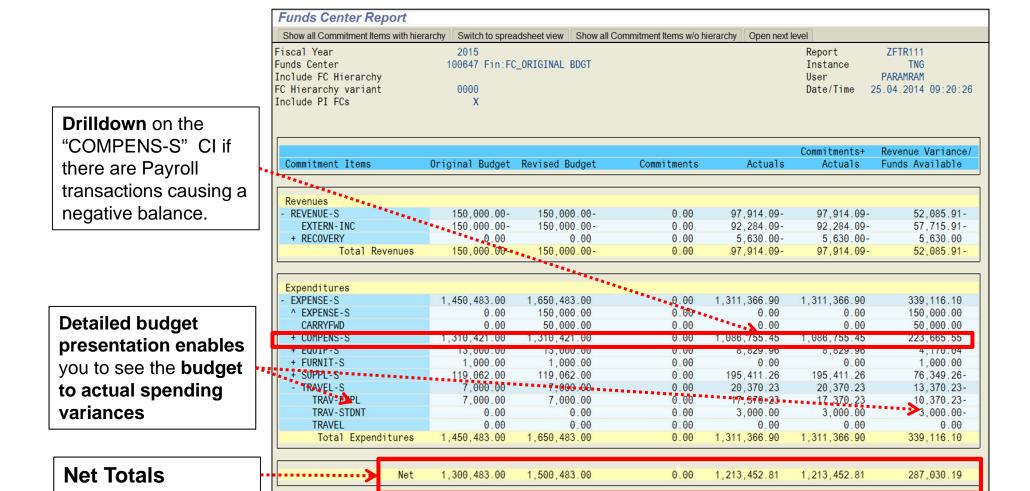
- check the HR data to see who entered it
- contact that person and verify the funding source

posted salary was for a prior calendar year:

transfer the expense to the correct accounts via a journal entry

Funding: Funds Center or Fund Report – Funds Center (with Original Budget)





Correcting Negative Balances

Negative Balances should be cleared prior to year-end (before April 30th, actual date changes each year).

Negative Balances in **Funds Centers** are:

- carried forward to the next fiscal year
- first thing to be deducted from the new fiscal year's budget

Two methods to clear a Negative Balance:

- 1. Increase budget in FC or FC/Fund to cover amount of Negative Balance.
 - The appropriate area/person to contact regarding the budget increase depends on the funding source (i.e., operating, research)
 & the departmental ability to process budget transfers
- Process a Journal Entry to re-allocate the charges to another account that has sufficient funds.

Appropriate correction will depend on source of Negative Balance.

GTFM: Fiscal Year-end Closing

• http://finance.utoronto.ca/policies/gtfm/financial-management/reporting/fiscal-year-end-closing-procedures/

Correcting Negative Balances



Suggested action:

Cause

Budget exceeded due to payroll posting

Incorrect FC or FC/Fund combination (non-payroll related)

Negative Carryforward (operating funds only)

Action

- a. Increase budget to cover deficit
- b. If correction of FIS accounts in HRIS is needed back to a retroactive date in the same calendar year, enter the correct funding source in HRIS back to that date and the system will do the corrections.
- c. If the error was an isolated incident or for a previous calendar year, process a journal entry and, if needed, update HRIS with the correct account for any future payments.

Process a journal entry to move charges to the correct funding source.

Budget transfer to cover the Negative Balance

NEED HELP?



https://easi.its.utoronto.ca/ams-help-form/

Help is a facility for all AMS subsystems:

- Use the WEB form found at the above address
- Select the appropriate AMS module (e.g., FIS: FAST Team)
- Complete all the information required on the form
- Click on the Send it! button

Mail box is monitored Monday to Friday 9:00 a.m. - 5:00 p.m.

FAST Team Contacts



Manager	Lorena Gaudio lorena.gaudio@utoronto.ca	978-2802
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FIS Standard Curriculum Evaluation:

http://finance.utoronto.ca/fast/fis-training/course-evaluation-fis-training/

FAST website:

http://finance.utoronto.ca/fast/