BACKGROUND

The Inter-institutional Committee on Finance and Accounting (ICOFA) of the Florida state university system has established guidelines to account for transactions between universities and their Direct Support Organizations (DSOs). The policy and procedures herein are based on the ICOFA Financial Statement Guide.

POLICY

DSOs frequently provide reimbursements to the University for operating expenses, and also contributions for construction matching and capital gifts. The reimbursements and contributions received from DSOs should be recognized as revenue by the university, not as a reduction of expenses.

Based on the nature of the expense or purpose for which the reimbursement and/or contribution was received, the university will record the reimbursement as either Operating Revenue in account 659090 or Non-Operating Donations in account 683990. Capital Gifts and Donations will be recorded in account 687001.

**Operating Revenues – G/L code #659090**

Operating revenues normally result from exchange transactions, usually as revenues received in exchange for a good or service.

**DSO Support that Qualifies as Operating Revenue:**
- Salary payments for university employees providing services to the DSO
- Payments to cover DSO operating expenses that are being reimbursed to the university

**DSO Non-operating Donations – G/L code #683990**

Non-operating donations normally result from non-exchange transactions, defined as value received with no good or service exchanged.

**DSO Support that qualifies as Non-operating Donations:**
- Salary supplements and/or subsidies for university faculty and staff
- Student scholarships (primarily for Funds 471 and 472)
- Subsidies to cover university operating expenses
- Noncapital gifts

**Capital Gifts and Donations – G/L code #687001**

The contributions and transfers for capital gifts and donations represent the amount of revenues from capital contributions, special and extraordinary items, and transfers.
Component Unit Support that Qualifies as Contributions and Transfers for Capital Gifts and Donations:
- Construction matching
- Capital gifts (for purchase of capital items > $5,000)

PROCEDURES

Departments will prepare and submit invoices and/or other necessary documentation to the DSO for expenses that are to be reimbursed. The Departments must specify the Activity Number to be reimbursed and the appropriate revenue code for the type of expense being reimbursed (generally will be either DSO Operating Revenue – G/L revenue code #659090 or DSO Non-Operating Donations – G/L revenue code #683990). If Departments are unsure or have questions about the appropriate revenue code to use, the Controller’s staff in the Accounting and Reporting team should be contacted for guidance. Foundation staff will also review supporting documentation to ensure the proper G/L revenue code is used.

Departments/Activity Numbers in E&G Funds

For departments in E&G Funds that receive reimbursements of expenses from DSO’s, a new Activity Number will be needed in Fund 604 since revenue transactions other than State Appropriations and Tuition and Fees cannot be recorded in E&G Funds. As of July 1, 2012, Finance Managers of Departments that received reimbursements from DSOs must ensure that current year expenses are charged to the corresponding new Activity Number in Fund 604, and not to the E&G Activity Number. Additionally, for budget purposes, the revenue and expense budget should also have been reflected in the respective Fund 604 Activity Number. Questions regarding budget issues should be directed to the Office of Financial Planning (OFP).

Creation of New Activity Numbers for DSO reimbursements in Fund 604

As of July 1, 2012, any new Activity Number that will be primarily funded by DSO funds through reimbursements, as agreed upon between the department and the DSO, will need to be created in Fund 604. The department can initiate the request to create a new Activity Number by completing the New Activity Number Request Form and must specify on the form to create the new Activity Number in Fund 604. Additionally, the department must include on the form either an E&G or Auxiliary Activity Number associated to that department. The E&G or Auxiliary Activity Number will be used as an alternate funding source to charge any unfunded expenses in the Fund 604 Activity Number.

If a new Activity will not be primarily funded by DSO funds, the expenses and corresponding reimbursements/revenue from the DSOs can be accounted for in an existing Activity Number in any other Fund except E&G or an Agency Fund.

Departments/Activity Numbers in Funds other than E&G

For existing Departments as of June 30, 2012 that receive reimbursements of expenses from DSO’s in Funds other than E&G or an Agency Fund, no new Activity Number needs to be created. The transactions for these departments will remain in the current Fund and for budget purposes departments should budget...
for both the revenue and expenses within the Activity Number. Questions regarding budget issues should be directed to Auxiliary and Enterprise Development (AED).

**ACCOUNTING FOR INCOMING FUNDS FROM DSOs**

The university receives funds/payments from DSOs primarily by ACH/wire transfers that are recorded by staff in the Controller’s office. The DSOs will provide Controller’s staff with a Query reflecting detailed information on the total ACH/wire amounts, including Activity number, description of expense being reimbursed or type of contribution being provided, amount, and the corresponding G/L revenue code to be used.

Controller’s staff will review the query detail provided to evaluate, based on the expense description, if the G/L revenue code is appropriate. Controller’s staff will contact Foundation if additional information/clarification is required.

Controller’s staff will also review query detail information to identify if any expenses reimbursed or contributions received are related to construction matching or the purchase of capital items to ensure that proper account codes are used to record the transaction.

Controller’s staff will update the wire logs for the payments received and prepare the respective journal entries to record the transactions in the university’s general ledger.

**MONITORING OF EXPENSES AND REIMBURSEMENTS FOR ACTIVITY NUMBERS FUNDED BY DSOs**

Finance managers of each department shall be responsible for periodically monitoring expenses to be reimbursed by DSOs during the fiscal year to ensure that reimbursement requests are timely submitted to the DSOs for processing. Finance managers are also responsible for following-up with the DSOs on outstanding requests submitted to ensure the reimbursements are processed and the funds sent to the university to be credited to the respective Activity numbers. By the end of each fiscal year, Controller’s office staff will review outstanding expense balances in Activity Numbers funded by DSOs, and will charge unfunded expenses, other than those incurred during June for which the timing of the reimbursement may extend over into the new fiscal year, to the department’s alternate E&G or Auxiliary Activity number.