



University of Pittsburgh Policy Internal Accounting Transactions

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Category: Financial Affairs

Section: Accounting and Financial Oversight

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Policy Number: 05-06-08

Effective date: March 2016

Responsible University Officer:

- Arthur G. Ramicone, Senior Vice
Chancellor and Chief Financial Officer

POLICY STATEMENT

Accurate, complete, and timely processing of internal accounting transactions is important for supporting reliable financial reporting, complying with Federal and other regulatory requirements, and minimizing correcting transactions.

Effort and care must be taken when recording original transactions into the general ledger. Proper segregation of the initiation, approval, recording, and reconciliation of transactions must be implemented where possible. If proper segregation is not possible, oversight, review, and approval of monthly reports and reconciliations must be implemented.

Supporting documentation and justification for accounting transactions must be maintained and made available for inspection. Supporting documentation must be sufficient to clearly explain the transaction and be retained in accordance with the University Financial Record Retention Schedule <http://www.cfo.pitt.edu/frs/srr.html>.

REASON FOR POLICY

This policy was established to:

- Clarify the definition of various non-cash related financial transactions entered into the University's general ledger (PRISM).
- Comply with Generally Accepted Accounting Principles.
- Comply with Federal and other governmental regulations.

ENTITIES AFFECTED

All University departments



KEY STAKEHOLDERS

All University departments

DEFINITIONS

Internal accounting transactions include:

- Originating and adjusting journal entries
- Cost transfers:
 - Non-salary cost transfers
 - Salary cost transfers
- Interdepartmental charges
- Subsystem transactions and allocations

Originating and adjusting journal entries (JE):

- Record financial transactions and adjustments not previously entered in University's general ledger accounts, e.g. expense and revenue accruals and deferrals, depreciation, consolidations, financial reporting adjustments and reclassifications, etc.
- Transfer funding between or within departments, schools, or divisions, e.g. debt service, capital, and other transfers.
- Redistribute revenues or expenses initially recorded in holding or temporary accounts, e.g. P-Card redistributions, rent redistributions, etc.

Cost Transfers

Non-salary cost transfers (NSCT):

NSCTs are used to correct erroneous transactions caused by data entry or other clerical errors. NSCTs may also be used in limited circumstances related to the transfer of expenditures held in a departmental expense account until a sponsored program (Entity 05) account is established or a final accounting is determined. NSCTs apply to all subcode categories with the exception of series 5000-5999.

Care and due diligence in the processing of financial transactions is essential to ensure that errors are infrequent. A thorough review of Level Reports is required to ensure that errors are detected and corrected in a timely manner. NSCTs must be made within 90 days of the end of the month in which the error occurred.



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Salary cost transfers:

Salary cost transfers are primarily used to correct erroneous transactions affecting subcode series 5000-5899 only. For more information on salary cost transfers please refer to the [Effort Reporting and Certification policy 11-01-07](#).

Interdepartmental charges (IDC):

A journal transaction type restricted to authorized cost centers and certain other units to distribute the cost of goods and services provided to University departments on a recurring basis.

For a more detailed explanation of IDCs see the [Interdepartmental Charges procedure 05-06-01](#).

Subsystem transactions and allocations:

Subsystem transactions are initially recorded in one of the University's subsystems (e.g., Advance, PeopleSoft, etc.) and are then recorded into the University's general ledger by authorized departments through a data import process. Allocations include system-calculated transactions such as the application of the fringe benefit rate and various indirect cost rates.

RESPONSIBILITIES

Departments initiating financial transactions must:

- Ensure all internal accounting transactions are recorded, authorized, accurate, complete, and processed in a timely manner;
- Ensure proper subcode usage in accordance with [General Accounting Subcode Guidelines](#).
- Implement and maintain internal controls including segregation of duties to provide proper initiation, authorization, and processing of internal accounting transactions:
 - The approver is someone other than the transaction initiator.
 - The approver is familiar with the nature of the transaction.
 - If the subject of the transaction is the approver, approval by someone higher in the organization must be obtained.
 - In some instances, an internal accounting transaction may require additional approvals as established by the University's senior management.
 - Level Reports are thoroughly reviewed and any required adjustments or corrections are processed in a timely manner.
- Retain supporting documentation including justification for accounting transactions in accordance with the Financial Record Services Department's [record retention](#)



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[schedule](#). Supporting documentation must be sufficient to clearly explain the reason for the transaction.

- Assume responsibility for losses and/or disallowances resulting from audits

Controller's Office:

- Establish and maintain financial policies and procedures affecting reliable financial reporting, including those over internal accounting transactions.
- Establish and communicate PRISM general ledger closing schedule with cut-off dates and times.
- Authorize the use of IDCs.

UNIVERSITY POLICIES, PROCEDURES, AND OTHER RESOURCES

University Policies

[Interdepartmental Charges, 05-06-01](#)

University Procedures

[Interdepartmental Charges, 05-06-01](#)

[Effort Reporting Policy, 11-01-07](#)

[Cost Transfer Guideline](#)

HISTORY

/ - New format and policy review