

MEMORANDUM

From: Katrina Spencer, Associate Vice President of Finance and Budget Director
To: University of Chicago Unit Finance Leaders
Date: October 31, 2019

Subject: Non-Capital Ledger 8 Account Closure

I. Purpose

The purpose of this memorandum is to provide University of Chicago unit financial leadership and management teams with guidance for closing aging non-capital Ledger 8 (“L-8”) project accounts. In accordance with the new budget model that is based on Generally Accepted Accounting Principles (GAAP), Ledger 8 operating accounts create an ongoing operating liability to the University. In order to bring the treatment of project accounting for non-capital projects in line with the new budget model, the Budget Office will be working with units to close any inactive L-8 operating accounts that were authorized in prior fiscal years by December 31, 2019, and any remaining accounts by the end of FY20. The memo below details the methodology for determining which accounts will be closed by December 31, 2019, and the steps that affected units are required to take for any accounts that will remain open through the remainder of the fiscal year.

Going forward, for projects that are non-capital in nature and below \$100,000 in total cost, units will utilize their own current year operating accounts to fund those projects – any exceptions that will require the use of L-8 accounting (e.g., to fund a study that may lead to a capital project later), must be approved by the Budget Office before the account can be opened. For any project that is greater than \$100,000, requests must be submitted to the Budget Office during the annual capital request cycle or as an off-cycle capital request. For any unit with an ongoing need for operating resources that have been traditionally funded using L-8 project accounts, the Budget Office will work with individual units to determine the appropriate source of funding and accounting treatment going forward. In any case, operating L-8 accounts will generally only be active and available for use in the fiscal year in which they are authorized. Going forward, the Budget Office will review all open L-8 accounts with each unit annually to close accounts as of the end of the fiscal year and will work with affected units to address any exceptions that require an account to be open beyond a single fiscal year.

As always, if you have questions please contact your budget analyst or email the Budget Office at budgetoffice@uchicago.edu.

II. Close/Review of Open Ledger 8 Project Accounts

The Budget Office will work with each individual unit that currently holds non-capital Ledger 8 project accounts and provide them an Excel template that groups their unit’s accounts into two lists: 1) accounts that are to be closed (“**Close**”) by December 31, 2019; and 2) accounts subject to review with the Budget Office (“**Review**”) but generally are expected to be closed no later than

June 30, 2020. The methodology for determining which accounts should be closed and which should be reviewed is detailed below:

Close

All non-capital L-8 project accounts are to be closed that met one or more of following criteria as of the end of FY20 Q1 (September 2019):

- 1) Accounts with available budget balance of \$0 or negative (-) available budget balance
- 2) Accounts with no open encumbrances and no spending in FY20 Q1
- 3) Accounts that had encumbrances and no spending in FY20 Q1 or no available balance, and upon review of encumbrances with University Capital Asset Accounting, it was determined that these accounts are inactive and should be closed

For any account recommended for closure that should remain open, the unit must provide the Budget Office with a business justification for why the account must remain open (see below for guidance on business justification requirements). Otherwise, these accounts will be closed by Financial Services by December 31, 2019.

Review

For any non-capital L-8 project account that does not fall under the scenarios listed above, the unit will be asked to review these accounts and provide the Budget Office with a business justification for keeping these accounts open through the remainder of FY20. The business justification should at least include responses to the following questions:

- Which fiscal year was the project originally approved?
- Has the project schedule been delayed? If so, please identify the reason and responsible entities.
- Itemize and identify the expense type(s) for competing the project, by fiscal year and dollar value.
- Will the project run over the budget? If so, by how much? Please also identify the funding source to cover the budget deficit.

Note that while accounts may remain open, given that there is a business reason for doing so, it is expected that units will plan to close out these accounts by June 30, 2020.

III. Budget Impact

The budget impact for closing a Ledger 8 project account are outlined below:

Remaining Budget Balance

Per [Policy 1301: Proposals for Expansion or Renovation of Space](#), any funds remaining in the account will be returned to the original funding source during the account closure process. For projects that are jointly funded by both the center and unit funds, the remaining balance will be returned to the center first, up to its total contribution, and then any remaining funds will be returned to the unit.

Budget Deficit

If a project account is in deficit, the respective unit will need to provide a unit funding source to cover the deficit prior to account closure. The sources of funds available to units to close the budget deficit of a Ledger 8 project account include 1) gifts made to a unit and restricted for the purpose of that specific project or the unit generally, 2) units' current year unrestricted revenues, 3) banked funds or accumulated fund balances, and 4) any combination of funding types (1) through (3).

IV. Due Date

All non-capital Ledger 8 project accounts that have been flagged to be closed and provided to units on the account **Close** list will be closed out by December 31, 2019. For accounts flagged for **Review**, business justification must be submitted to the Budget Office by **December 6, 2019** in order for the accounts to remain open. Any account on the lists provided to the units for which no justification is provided will also be closed by December 31, 2019. For any accounts that will remain open, units will need to plan to close those accounts no later than June 30, 2020. The Budget Office will review any remaining open L-8 operating accounts with each affected unit again in May 2020 to determine if any accounts will remain open beyond the end of FY20.