

College of Medicine Understanding Financial Reports

General Purpose: To explain how the College of Medicine Budget to Actual reports are compiled from the various data sources, explain what the items on the reports mean and explain the implications of critical variances.

College of Medicine Reporting Overview

1. The reports generally compare the actual financial results to the budgeted results and calculate the variance between the two.
 - a. Actuals – The activity that actually occurs. Financial transactions such as paid bills, received deposits, etc. that are entered into the accounting system.
 - b. Budget – An estimate of the financial activity that a department expects to happen in a given time period. For the College of Medicine (COM), the budget is normally prepared and approved in May or June of the previous fiscal year.
 - c. Variance – The difference between the actuals and the budget. A positive variance indicates that the actual performance was better than the budget. If actual revenue received is greater than the budget, a positive variance is the result. If the actual expenses are less than the budget, a positive variance is the result. A negative variance indicates that the actual performance is less than the budget.
 - d. In general, the reports are on a cash basis and not an accrual basis. For example, collections are reported and not charges. At year end, information is requested from departments to prepare the Florida Clinical Practice Association, Inc. (FCPA) and the Academic Enrichment Fund (AEF) audit reports on an accrual basis. Any outstanding expenses identified through this process for the FCPA are accrued for the audit and included in the Year-End Hyperion Reports. Any outstanding expenses identified for AEF are included in the audited financial statements but not in the Year-End Hyperion Reports. Revenues are accrued for the audit but are not included in the Year-End Hyperion Reports. Therefore, if deposits are not received before the end of the year then the credit is not given to the department for that fiscal year.
2. Sources of Data
 - a. Monthly COM financial reports compiles financial data from all sources used by the College to give a fairly complete financial picture of the College's financial activity. The information comes from five separate sources.
 - i. Budget (from Planning)
 - ii. UF data from UF's PeopleSoft Accounting System (general ledger and not KK)
 - iii. FCPA data (separate organization –separate accounting system)
 - iv. UFF data (separate organization –separate accounting system)
 - v. UFRF data (separate organization – separate accounting system)
3. COM standard reports present the same information in different formats.
 - a. Three standard reconciliation reports for the COM as a whole
 - i. Actual to Budget Report by department (bottom line)
 - ii. MTD Unrestricted Salaries Report by department (Salaries are the COM's largest expense so report separately)
 - iii. YTD Unrestricted Salaries Report by department

- b. Six standard reports for COM as a whole plus a set for each department
- i. Unrestricted/Restricted Summary Report
- Total section (combines activity from Funds that the COM reports as Unrestricted and Restricted.) The Restricted and Unrestricted Fund classifications as used in COM reporting are purely College defined. As a result, you may encounter instances where these classifications may be used to reflect different Fund groupings by other units on Campus.
 - Restricted section –The following Funds report as Restricted on the COM reports:

**College of Medicine
Restricted Funds for Reporting Purposes**

FUND		AUX	SHANDS	VA	FUND	FUND	FUND	FUND	FUND	FUND		
CODE	TRUST	TRUST	HS	HS	201	209	213*	211	212	171_UFF	UFF	UFRF
132	X											
181	X											
182	X											
185	X											
186	X											
221	X											
222	X											
531	X											
143		X										
149		X										
159		X										
161		X										
162		X										
171										X		
201					X							
209			X	X		X						
213							X					
211								X				
212									X			
UFF											X	
UFRF												X

* Also includes Fund Source A--UFRF in Fund 171

- Unrestricted section – The following Funds report as Unrestricted on the COM reports:

**College of Medicine
Unrestricted Funds for Reporting Purposes**

FUND			FUND		
CODE	STATE	FUND 179	171_OTH	FUND 910	FCPA
101	X				
102	X				
103	X				
112	X				
179		X			
171			X		
910				X	
FCPA					X

- ii. Department Summary Graph Report
 - Graphical presentation of adjusted income or loss
 - Displays the adjusted income by month up to the reporting period as compared to the annual budget spread by month. It shows the adjusted income trend for both Actuals and Budget.
- iii. Actual to Budget Comparative Report
 - Presents the YTD activity at a more detailed level. It also displays the current MTD activity and variance, as well as prior YTD and MTD activity. This report combines all Fund sources and budget.
 - The report is divided into two major sections, with the right side displaying YTD activity, and the left-side displaying MTD activity.
- iv. Unrestricted Actual to Budget Report
 - Displays activity from Funds considered Unrestricted by the COM. Offers detailed information by Fund source from PeopleSoft and the FCPA and compares to the YTD Unrestricted budget. Note: Budgeting is not done for each Fund source but as a total of all Unrestricted Funds.
 - With the exception of the FCPA column, each column is driven by specific PS Funds regardless of the Source of Funds except for Fund 171 where Source of Fund is used to determine whether the transactions are Restricted or Unrestricted.
 - State General Revenue Computation: The State General Revenue reported is computed as the sum of all expenditures including overhead. The figure bears no relationship to the General Revenue allotment in PeopleSoft. The intent is to make the State General Revenue column bottom-line neutral. This is because state Funds are managed in conjunction with FCPA Funds for an effective cash management process for the College as a whole. The reported amount represents the utilization of State General Revenue for the reporting unit. Do note that the variance for the State General Revenue shows the amount spent as compared to the budget allocated by the COM for the reporting period. If spending exceeds the budget, the variance is positive, and negative if spending is less than budget. However, this variance is offset by an adjustment to net income in the form of state over (under) expenditure. Over spending or positive State General Revenue variance will lead to a state over expenditure adjustment that will reduce the net income. On the other hand under spending or a negative State General Revenue variance will generate a state under expenditure adjustment that will increase the net income. The COM utilizes all of its State General Revenue each year and this process ensures that no unit is penalized for not using its budget allocation. The Dean's Office monitors and controls all State General Revenue spending centrally for the College. At the end of each year, an actual entry is booked in the FCPA to recognize this item in the FCPA's equity.
- v. Restricted Actual to Budget Report
 - Displays activity from Funds considered Restricted by the COM. Offers detailed information from UF Foundation, UF Research Foundation and PeopleSoft and compares to the YTD Restricted budget. The PeopleSoft Funds include Contracts and Grants Projects as well as transfers from the UF

Foundation and UF Research Foundation that are spent through PeopleSoft. Remember that funds can not be spent directly from UF Foundation or UF Research Foundation...these funds need to be transferred to the appropriate PeopleSoft Funds to be spent.

- All the PeopleSoft-related columns are driven by specific PeopleSoft Funds regardless of the Source of Funds except for Fund 171 where Source of Fund is used to determine whether the transactions are Restricted or Unrestricted.
- The Housestaff columns are manually carved out based on specific Project Ids for both the VA Housestaff and Shands Housestaff. As a result if a new Housestaff Project is added, the department must inform Dean's Office Financial Services (DOFS) group or it will be reflected in the actual PeopleSoft Fund column.
- The only activity that will usually show up in the UF Research Foundation and UF Foundation columns are transfers and overhead. This is due to the UF requirement to spend directly out of PeopleSoft.
- The column labeled Fund 213 currently includes Fund 213 and Fund 171 Source of Funds A--UFRF. Fund 213 wasn't established until well after go live and prior to that Fund 171 SOF A--UFRF was used. A--UFRF should have little or no activity this year and will eventually go away once all balances have been cleaned out.
- Other Restricted Revenue – The revenue calculation for Funds 211 and 212 (residuals and overhead) is reported as "Other Restricted Revenue" on the reports.
- Revenue computation is the same for all Restricted Funds. It is computed as the total expenditures including overhead and net transfers, and causes the bottom line to be zero for each Fund. The purpose is to recognize revenue for the Restricted Funds as expenditures are incurred, therefore eliminating fluctuations in net income from period to period. For example, if a grant award of \$1,000,000 for two years is received – don't consider the \$1,000,000 as revenue in the year received – consider it revenue in years spent.

vi. Budget Report

- Displays the combined Restricted and Unrestricted budget spread by month.
- The detail information is available through Hyperion Planning.

Important Revenue and Expense Definitions

1. Collections – Collections are the cash deposited through IDX. It is important to realize that the University of Florida Physicians (UFP) collections are recorded to the highest reporting level within the FCPA. In order to have the collections reported to the subdivision, the department must submit a journal entry to move these funds to the correct sub-account within the FCPA. It is important to realize that the FCPA subaccounts must correspond to the correct PeopleSoft DeptId's in order for collections to report within the correct division on the Actual to Budget Reports. Data comes directly from IDX and is reconciled to the Billing and Accounts Receivable Reports.
2. Other Clinical and Miscellaneous Income – This is made up of contractual and miscellaneous income including the Dean's Commitments. Most of this revenue is in the FCPA from deposits from contracts such as Shands, VA, Munroe, etc. However, a few

departments have some miscellaneous revenue in Funds 171, 179 and 910. This revenue is mostly transfers from other UF Colleges reclassified to revenue for COM reporting, state contracts which are still sent to UF, and occasionally miscellaneous receipts from outside entities deposited into Fund 179. Contractual revenue should be monitored closely because it has a direct impact on net income. If a department is unable to collect on a contract with fixed costs, it will have a direct impact on its net income. However, if the costs are variable and the contractual revenue is not earned then the associated costs may not be incurred leading to a minimal or no impact on the net income. It is important to understand this for purposes of explaining variances.

3. University Overhead includes:
 - a. In Funds 201 and 209 the Indirect Costs are determined by Project and is managed by Contracts and Grants. Indirect costs are charged against expenses as they occur as overhead.
 - b. UF assesses a 3% overhead charge on salaries and benefits for Funds 171 and 179.
 - c. There is a 3% overhead charge on total expenditures for Auxiliary Funds.
 - d. The overhead charges run a month in arrears until June when the catch up is made for the June charges.
 - e. The FICA alternative tax and the new Retirement Special Pay Plan savings to UF are included in University Overhead on the COM Reports. FICA alternative tax and the new Retirement Special Pay Plan are calculated by Human Resources and recorded via journal entry.
4. Administrative Overhead – The Dean’s Office taxes collections and certain contracts 5.45%. This administrative overhead charge is done via journal entry in the FCPA to one subaccount in each department. It is the department’s responsibility to prepare a journal entry and move the expense between the department’s subaccounts so that it reports to the department’s subdivisions on the financial reports.
5. Clinical Overhead – This is calculated by UFP and recorded as journal entry. It is made up of three components:
 - a. Clinic allocation – Departments are direct charged for clinic costs. Budgeted costs are charged monthly until year end.
 - b. UFP Admin/Bar allocation – This is calculated by UFP and departments are charged a percentage of total UFP admin/bar costs based on the percentage of collection revenue. A budgeted amount is charged until end of year then charged based on the percentage of budgeted revenue applied to actual costs.
 - c. Compliance allocation – This is calculated by the DOFS group and the department is charged a percentage of total Compliance costs based on the percentage of budgeted collections. A budgeted amount is charged monthly and adjusted quarterly based on the actual compliance costs per the percentage of budgeted revenue.
 - d. All allocations are booked by journal entry by the DOFS group to one FCPA subaccount. The department will need to submit a journal entry to move to various FCPA subaccounts.
6. Assessment Fee income – The corresponding entry to the Dean’s Office or UFP for the administrative overhead and clinic overhead entry. Recorded in the FCPA with journal entry monthly.

7. Salaries & Benefits

- a. UF currently books salaries and benefits to a month based on the pay period end date. Any partial payroll for the period ended 06/30 with a pay end day of the subsequent year is back posted to June.
- b. Prior Year Retros on Fund 910 - Retros and journal entries on prior year activity are not allowed on Fund 910. Ideally, Overhead Funds should be used to pay faculty temporarily until grant funding comes through. However, if Unrestricted Funds must be used, the DOFS group recommends that departments use 171/HSCFCPA until the grant funding is available. If Fund 910 is used and the grant funding is received after the end of the fiscal year, then retros cannot be done to move the expenses to the Project. By using 171/HSCFCPA, the transactions can be easily moved between the two Funds regardless of the period.

8. Insurance category includes:

- a. Worker's and unemployment compensation which run a month in arrears until June when the catch up is made for the June charges.
- b. Malpractice insurance is booked via journal entry by the DOFS group in the FCPA to one department subaccount. The department will need to submit a journal entry to transfer these expenses to the appropriate subaccounts within their department.
- c. FCPA property insurance is managed by the DOFS group and charged to the departments as appropriate for space leased through the FCPA. Insurance expenses are paid in installments for the year and include a down payment in the month of July and then installment payments each month through April. The policy is considered paid in full at the end of April and there are no additional payments in May and June.

9. Transfers

- a. Ideally, transfers should net to zero for the entire department unless there are inter-department transfers within the COM.
- b. Transfers are reconciled for the entire College. Transfers made to or received from departments outside of the COM are reclassified to either expense or revenue as appropriate.
- c. Transfers on Restricted Funds that are reclassified to revenue will not appear on the reports. Remember that revenue is not reported for the Restricted Funds. Example: Indirect Cost (IDC) distributions from C&G Projects are recorded as inter-university transfers in PeopleSoft. Since these distributions come from an outside entity this creates a large net transfer in. For COM reporting purposes, the transfer in is reclassified as revenue. As this revenue is spent, it counts as Other Restricted Revenue on the COM reports.
- d. COM departments may use the FCPA to transfer funds within the College. If the transfer is for payment of services, the department should use the same contractual expense code for both sides of the journal entry. Inter-departmental transfers for any purpose other than for payment of services must be coded to 9240 – Inter-departmental Transfers and needs prior approval from DOFS group. Inter-departmental transfers within a single department coded to 9240 do not require DOFS group approval.
- e. A COM department may transfer funds outside of the College through the FCPA using the appropriate FCPA contractual account code.

Key Indicators on Reports

1. Unrestricted Salary Variance – This variance is monitored very closely since salaries are the biggest expense for the College. It is important to understand what is causing actual to budget variances in your unrestricted salaries.
 - a. A positive unrestricted variance will occur if the department receives restricted funds that were not budgeted and is able to distribute salaries on restricted instead of unrestricted Funds. This will cause a corresponding negative variance in restricted salaries. Unexpected terminations with no rehires in the same fiscal year can also cause a positive variance on unrestricted funds as well as TBA's that are in the budget but not hired or hired later than budgeted.
 - b. A negative variance will occur if the department does not receive restricted Funds that were budgeted and is forced to distribute salaries to the unrestricted Funds instead. This will cause a corresponding positive variance in restricted funds. A negative variance may also be caused by unbudgeted positions. Sometimes, the negative variance may be offset by a positive revenue variance, where the employees are generating revenues.
 - c. Unbudgeted payments like leave cash outs and additional pay will also cause a negative salary variance in the unrestricted and/or restricted funds.
2. Restricted Salary Variance – Restricted salary variances should be monitored in conjunction with the unrestricted salary variance. Variances in restricted salaries can mask underlying problems with the Funds. It is important to remember that adequate funding must be available to spend the salaries from the restricted Funds. Uncontrolled spending from restricted Funds could lead to problems eventually, and may have to be covered by unrestricted Funds. Accelerated spending from Grants may look okay until the Grant Funds run out before the end of the budget period for the Grant. If restricted Funds are not available, then the salary expenses will have to be moved to unrestricted Funds and may have a huge impact on the department's Net Income.
3. Total Non-Salary Expenditure Variance – In general, the DOFS group does not focus on individual expense variances unless the total non-salary expenditure has a large variance requiring explanation. Departments may need to explain large variances that seem unreasonable.
4. Adjusted Income Variance – This is the sum of all the other variances and is the outcome from the management of those variances. This is the most critical variance.

COM Reporting Units

1. A unit can be a Department, Division, or Sub-Division. A Department is derived from the first four digits of the PeopleSoft DeptId, the next two digits determine the division and the last two determine the sub-division.
2. The DOFS group will confirm that units with divisions and subdivisions in PeopleSoft need divisional reports and will include them in the Administrator Reporting Package for the department.

3. Caution: All PeopleSoft transactions should be at the lowest DeptId level. The COM Reporting System cannot load data at the department level if there are divisions below it, nor can it load at the divisional level if there are sub-divisions. As a result such data will be assigned to a divisional or sub-divisional DeptId picked by the COM Reporting group. This will cause problems when reconciling the COM Financial Statements to PeopleSoft Department Ledgers.

Reconciliation of Reports

PeopleSoft and FCPA transactions should be reconciled to the Department Ledgers monthly and then the ledgers should be reconciled to the COM Reports. It is important to realize the information provided on the COM reports is pulled directly from all the listed sources and reconciled by the DOFS group only back to those sources. If a transaction has been miscoded in either the PeopleSoft Accounting System or in the FCPA's Accounting System, the miscoding will also be in the COM reports. The department will need to correct the transaction at the source so that future COM reports will reflect the corrected information.

Timing and Report Production

1. COM Budget - received by 4th workday
2. Florida Clinical Practice Association – received by 5th workday
3. University of Florida PeopleSoft – received between 5th and 7th workday
4. University of Florida Research Foundation – received by 7th workday
5. Preliminary Report distribution (does not include UFF and sometimes UFRF if late)- by the 9th workday
6. University of Florida Foundation – received by 11th workday
7. Final Report distribution – by the 13th workday

Report distribution

1. Chairman Package
 - a. Total COM reports plus the following reports for the department
 - i. Unrestricted/Restricted Summary Report
 - ii. Department Summary Graph Report
 - iii. Actual to Budget Comparative Report
2. Administrator Package
 - a. Total COM reports plus the following reports for the department and including department divisional reports if appropriate
 - i. Unrestricted/Restricted Summary Report
 - ii. Department Summary Graph Report
 - iii. Actual to Budget Comparative Report
 - iv. Unrestricted Actual to Budget Report
 - v. Restricted Actual to Budget Report
 - vi. Budget Report
 - b. The department administrator is responsible for sharing these reports with the appropriate staff in the department.