

## **Temporary Investment Pool (TIP)**

### **Update – 5/20/09**

#### **TIP Policy**

The TIP process provides an incentive for units to establish and maintain good budgeting, proper accounting and strong fiscal management. Maintaining positive balances helps contribute to the amount of investment income the University earns which impacts the available cash balance. The TIP policy also encourages proper funding of expenditures by providing a mechanism for charging account strings that are in deficit and are therefore “borrowing” from the University’s temporary investment pool.

#### **FY08**

##### **Deficits**

- The final CUFS automated TIP job ran on 6/30/08 OBAL balances (13<sup>th</sup> period), providing us with the charges to be assessed on the deficits; however the charges were not posted to CUFS accounts in FY08 and have not been posted to chart strings in PeopleSoft in FY09. These charges are forgiven on a one-time basis and will not be assessed.

##### **Plant Fund Equipment Replacement Reserves & Eligible Sponsored Accounts**

- TIP earnings distributions on the 6/30/08 balances have been posted in the corresponding EFS chart strings in FY09 for both plant fund equipment replacement reserve balances and sponsored account balances that meet the criteria for earnings distributions.

#### **FY09**

##### **Deficits**

- Charges were not assessed on current fund deficits as of October 2008 or February 2009.
- TIP charges will be calculated on June 30<sup>th</sup>, 2009 current fund deficits using the Available Balance, as of the end of Period 913 at the Fund and 'Z' DeptID level on the Budget DeptID tree. The tree can be viewed in the Reporting Instance by following this path:

Tree Manager > Tree View > UM\_DeptID\_Budget, dated 7/1/08.

View the tree in the print option.

- The June 30, 2009 charge rate is 8%.

- The deficits will be assessed charges based on a 4-month period (this is the same as prior year-end calculations).
- Charges will likely be recorded during the first quarter of FY10.
- FY08 TIP exceptions will continue unchanged for the FYE June 30, 2009 TIP calculations.
- University Budget & Finance will be sending out an e-mail asking for a target chart-string for each budget Z level rollup with a deficit and corresponding charge.

### **Plant Fund Equipment Replacement Reserves**

- FY09 TIP Income for the Equipment/Building Replacement Reserve accounts has not been posted for October 2008 or February 2009. We will be posting each of these distributions in FY09 as soon as balances are calculated. TIP income on 6/30/09 balances in equipment/building replacement reserve chart strings will be distributed in the first quarter of FY10.
  - The earnings rate is 2% annually.

### **Eligible Sponsored Accounts**

- TIP Income has been distributed for October 2008 and February 2009 balances for sponsored accounts with a legal requirement for revenue distributions. TIP income on 6/30/09 balances on eligible sponsored accounts will be distributed in FY10 as soon as final balances are available.
  - The earnings rate is 2% annually.

## **FY10**

The basic premise underlying TIP will not change; however, as we learn more about the Enterprise Financial System and how the Chart of Accounts is being used, we will periodically review and may adjust TIP assumptions and procedures.

Currently for FY10 the following assumptions will apply:

### **Deficits**

- TIP charges will be calculated on deficits using the Available Balance at the Fund and 'Z' DeptID level on the Budget DeptID tree. A report is being rolled out at the end of May which will provide a list of deficits that exist at a point in time. Deficits are calculated from the available balance before encumbrances. Also, since receivables are not real cash in hand, the deficit calculation will exclude them. The report which is being created as a PeopleSoft canned report should be available to all users with access to the PeopleSoft reporting instance.
  - Charges will continue to be assessed 3 times/year based on October, February and June balances.
  - The charge rates will be 3.5% (Oct), 3.5% (Feb), 8% (June)
  - Exceptions for FY10 will not automatically continue. Account strings and justifications will need to be sent to University Budget & Finance for consideration. An exception form will be sent with the annual TIP memo in June 2009.

Automatic exceptions include:

- Agency funds (Fund 9xxx)
- ISO funds (Fund 1150 and 1153)
- IMG Tuition Revenue Target (Program UM001)
- IMG F&A Revenue Target (Program UM003)
- LCMR funds now in sponsored fund 3015
- NIH offset balances
- Current fund balances invested in the Group Investment Pool (GIP) (program code in Endowment ID Exxxx)

### **Plant Fund Equipment Replacement Reserves & Eligible Sponsored Accounts**

- Income Distributions will continue on sponsored grants and contracts where there is a legal requirement for income distributions and on Equipment/Building Replacement Reserve accounts.
  - Income distributions will be made on balances as the end of October 2009, February 2010, and June 2010 for all income eligible accounts.
  - There will continue to be a \$15,000 minimum threshold for eligible accounts to earn income.
  - Earnings distributions will continue to be 2% annually.

### **\* Accounts Receivable**

This is to clarify how receivables were handled in CUFS as part of the TIP calculation:

- The TIP policy, prior to June 2008, contained a link to a page that discussed OBAL Adjustments. Adjustments were made annually to the OBAL balances that were used for TIP calculations, deducting the amount of the year-end inventory and receivable balances from a fund-area-org ending balance. See attached for the wording in the policy.
- Annually the budget office obtained the year-end listing of the inventories and accounts receivable booked to the ledger. The OBAL balance was adjusted up or down based on the increase or decrease in the inventory/receivable balance from the previous year. Thus, the next adjustment to OBAL was the most recent year-end value of the inventory/accounts receivable. The adjustment was done only once a year to keep the process simple. The receivable balance was net of an allowance for bad debts.
- Accounts receivable were possibly NOT adjusted in the following situations:
  - If the unit did not report their A/R to Accounting Services, and thus it was not on the list of year-end receivables, the budget office would not have known it was set up. In theory, this shouldn't have happened often because the Accounting Services worksheet would have been materially off from the general ledger balance.

- The receivable was adjusted through a 565 account rather than a unit's fund-area-org. In this case, the unit's fund-area-org would not have been credited with the revenue of the receivable, and thus their fund-area-org should not have been adjusted for the year-end receivable balance.
- The year-end receivable was not easily identified to specific fund-area-orgs. In that case we wouldn't have known where to adjust for the receivable balance.
- The receivable was only set up at year-end and then reversed early in the next fiscal year. The intent of the adjustment was to acknowledge that the receivable existed throughout the year and the account's balance should not contain that value for TIP purposes. If a receivable was only set up at year-end and then reversed, we did not want to penalize a unit at the October and February distributions by using a balance that was inaccurately reduced for a receivable that didn't exist.
- Fund-area-orgs that were excluded from the TIP process, i.e, those that were assigned a category 4 in CUFS.
- Receivable balances under the threshold required for reporting to Accounting Services, i.e., < \$50,000.
- Receivable balances in ISO funds – ISO funds were excluded from TIP.