

Handling and Communicating Changes in Accounting Practices

The Copy Card Issue

Accounting for Copies

- Buying copies has always been handled like a one-time, final purchase.
- It appeared like a final purchase on account statements
- In fact, it **continues** to appear like that on account statements

Prepaid Copies = Assets

- Once paid, the amounts on the card were treated like credit
- Copy cards acted like "savings accounts", copies became departments' assets
- They always carried over from year to year
- Prepaid copies did not show up in account statements any more

New Accounting Method

- Copies are now to be accounted for in the accounting period in which they were used.
- New copy cards act like debit cards with a preset spending limit on our department accounts
- New accounting method makes sense

Questionable transitioning

- In July 2009, all money left on our copy cards was credited back to the closed 2008-09 fiscal year
- Accrued copy savings were netted against current budgets
- In effect, the amounts on our copy cards were subtracted from new budgets

Questionable Accounting

- Departments pay twice for same service:
- We already paid for these copies in past FY's, exhausting our budgets
- Assets on copy cards never again showed up on our account statements
- Posting left-over amounts back to last year's budget does not "clean up" accounts, does not reflect spending processes accurately either

A Communication Issue

- There was no advance warning that I or any of the other program leaders in A&H received.
- There was also no explanation after the fact.
- **The only sign of the transition was that the plus on our copy accounts was suddenly posted as a debit to our current accounts**

A Communication Issue

- Copy Services did not answer questions
- Accounting Department **denied** that we had lost any money
- "We aren't taking those copies away from you that you chose to purchase with your funds. You will not be spending \$166.57 again – you chose to purchase those copies with FY2007 funds, and they are still available to you to use. You can still make copies for \$166.57."

(Deborah Kay Sinning, email September 15)

A Communication Issue

- "Please understand that the \$166.57 remaining 06/30/09 balance was not taken away from you, nor double charged to both 2009 and 2010 fiscal years. You can continue to use your card with the \$166.57 balance -- you should experience no interruption in the service of your copy card." (D.K. Sinning,

Not correct: Costs for every copy I make will be subtracted from my current budget.

A Fairness Issue

- Through lack of communication, departments could not prepare for transition
- Those departments that are most careful in spending, lost the most money

Solution

Considering

- - lack of warning,
- - lack of information after the fact,
- - fairness issues,
- - accounting issues,

department copy budgets that were paid in previous years should be restored to departments and allowed to use up before new copy cards come into use.

Conclusion

University faces dire financial situation.

Budget reductions should be announced openly and distributed fairly.

Departments that plan most carefully should not be punished with most severe reductions.

Otherwise, we may inadvertently encourage exhausting of budgets through needless end-of-year spending.