**Interdepartmental Charges (IDCs) and Correcting Entries (CORs)**

**GUIDELINES**

1. **Transaction Types**

Over the course of a fiscal year, University departments may conduct business with both internal and external customers, in which there are various procedures for recording transactions. The transactions can be differentiated as follows:

1. **Internal: the transaction is between two or more KSU units. No cash is flowing in or out of the University.**
2. **External: the transaction is between KSU and a third party, which results in cash flowing in or out of the University.**

As a rule, KSU will not remit a cash payment to itself, but there are other ways to “pay” for goods and services provided internally or to reimburse another department for a shared cost. Note that the transactions between the University and the Foundation or Alumni Association fall under external transactions. These guidelines will cover how and when to use the various mechanisms for KSU’s internal transactions: IDC, COR, & Other scenarios.

**These guidelines will only apply to internal transactions. Please refer to University Policies and guidelines related to Accounts Payable, Procurement, and Treasury for external transaction procedures.**

1. ***Interdepartmental Charges (IDC)***

Interdepartmental charges are defined as internal billing transactions for goods or services provided by the billing department. The goods and services provided must be performed in the natural course of business, for example: Parking Services providing parking passes, Police Services providing security, Dining Services providing meals, etc. The billing department is responsible for initiating these transactions and maintaining proper supporting documentation in accordance with the University record retention policy.

It is important that the treatment of interdepartmental charges:

▪ adhere to Generally Accepted Accounting Principles (GAAP)

▪ have consistent accounting treatment across all University units

▪ do not result in an overall increase or decrease of income and/or expense to the University’s financials

▪ do not misstate the operating results of any University unit

1. **Accounting for IDC Transactions: The following procedures relate to charges for goods or services provided to internal departments within the University. Please note that in many cases, a home department may need to be charged before an expense can ultimately be moved onto a grant (restricted fund). Most transactions charged to grant indexes will happen via the Cost Transfer Workflow within Flashline.**

***Unrestricted Units (E&G, Designated, & Plant Indexes)***

**As mentioned earlier in the guidelines, IDCs must not result in an increase or decrease in overall University income or expenditures. To prevent this, all interdepartmental charges between unrestricted units should utilize expense accounts for both the debit (charge) and credit (sale) lines on the transaction. To accommodate this, the Controller’s Office has established specific account codes to record credit transactions for the interdepartmental sale of goods (77020) and interdepartmental service/labor performed (77201).**

**IDCs for Goods:**

**The charge or debit side of the transaction should hit the internal customer’s appropriate index and expense account (7XXXX). Please do not use capital accounts (accounts that start with 78) for IDC goods provided, as they will create inventory tags within Banner. Kent State typically does not produce capital equipment (items greater than $5,000) so these accounts would not be appropriate (talk to the Controller’s Office if you have any questions). Also, please debit 77020/77201 instead of using 77032 (miscellaneous) in cases that no other account serves as a better fit.**

**The credit side of the transaction (representing the department’s sale to the internal customer) should hit the billing department’s index and the interdepartmental sale account code (77020). For an example, if the Kent State University Bursar’s Office sold the Controller’s office a stapler, the Bursar’s Office can process an IDC that would look like the following:**

**Note: The billing department (Bursar’s Office) would initiate the IDC transaction.**

**D 100304-72017 (Controller’s Office, Office Supplies Expense) $$$**

**C 100303-77020 (Bursar’s Office, Interdepartmental Sale) $$$**

**IDCs for Services:**

**The charge or debit side of the transaction should hit the internal customer’s appropriate index and interdepartmental labor account (77201). The credit side of the transaction (representing the department’s service to the internal customer) should hit the billing department’s appropriate index and the interdepartmental labor account code (77201). For example, if the Kent State University Police Department provides services to the Controller’s Office for a special event, the KSU Police department can process an IDC that would look like the following…….**

**Note: The billing department (Police Dept) would initiate the IDC transaction.**

**D 100304 -77201 (Controller’s Office Interdepartmental Labor) $$$**

**C 100223-77201 (Police Dept Interdepartmental Labor) $$$**

***Auxiliary Units***

**Since Auxiliary enterprises are self-supporting or business-type enterprises, meaning their operating expenditures should not exceed their revenue earned; these units should recognize interdepartmental sales from internal customers as revenue. Therefore, the credit side of the transaction should be recording the billing department’s sale to the internal customer. The Controller’s Office has established a specific revenue account code to record all transactions for the interdepartmental sale (53086) related to Auxiliaries.**

**The charge or debit side of the transaction should hit the internal customer’s appropriate index and expense account (7XXXX). For example, if Kent State University Health Services provides medical supplies to the Controller’s Office, KSU Health Services can process an IDC that would look like the following……..**

**Note: The billing department (KSU Health Services) would initiate the IDC transaction.**

**D 100304-72016 (Controller’s Office Exp-Medical Supplies) $$$**

**C 333000-53086 (Health Svc-Interdepartmental Sale) $$$**

***Agency Units***

**Similar to auxiliaries, agencies (indexes that start with 8) are self-supporting or business-type enterprises that should recognize interdepartmental sales as revenue, but unlike auxiliaries, agencies are technically third party to the University. The purpose of establishing Agency funds is so the third party group can benefit from University services that require an index (Procurement, Accounts Payable, etc.). The University acts as a custodian or fiscal agent for the third party organization, but the University does not have ownership over these funds. Therefore, the University cannot truly have an interdepartmental transaction with an Agency index.**

**Internal transactions involving Agencies can still utilize the IDC journal type, but accounts 53086, 77020, and 77201 should not be used on the debit or credit sides of these entries. Caution should especially be used in transactions crediting agencies, as this is essentially the same as making a payment to a third party (These situations are not common and will face extra scrutiny from the Controller’s Office).**

1. **Submitting IDCs:**

**IDCs can be processed in Banner by using form FGAJVCQ or FGAJVCM. Please refer to the step-by-step instructions provided on the Business Administrative Services (BAS) website under** [Banner Tips and Quick Guides](https://www.kent.edu/bas/banner-9-training-guides)**.**

**Additionally, it is important to include a detailed description (the description field is what will appear on your transaction history reports) of the IDC transaction along with the appropriate references (i.e. date, job number, invoice number, or work order number). Provide a contact name and telephone extension in the document text field (FOATEXT) of the IDC form (FGAJVCQ or FGAJVCM) in case there are any questions related to the IDC transaction.**

**The department initiating the IDC is responsible for maintaining documentation supporting the IDC transaction. This documentation must be maintained in accordance with the University’s record retention policies. Please contact University Counsel or the Controller’s Office for more information on record retention.**

1. **Corrections and Reimbursement of Expense/Revenue**

**In order to differentiate between true interdepartmental sales and corrections or cost/revenue allocations, the COR rule class was created. COR should be used instead of IDC for the following types of transactions: correcting entries, full or partial reimbursements, allocations, etc. Basically, if there is an existing charge or revenue on the ledger that needs to be changed in any way, COR should be used. COR usage does not indicate that a mistake was made, it simply means that the original transaction is being altered in some way.**

1. **Submitting Correcting Entries and Expense Reimbursement Entries: COR entries are keyed in exactly the same way as IDC transactions, but COR should be used as the journal type instead of IDC (Refer to II. B. above).**

**Example of a Reimbursement of Expense Entry:**

**For example, the Controller’s Office purchased $300 in paper using their purchasing card, of which, $150 was for the Bursar’s Office. The following expense reimbursement entry can be processed to allocate $150 in paper expenditures appropriately:**

**Note: The department where the original expense or revenue transaction occurred should initiate the Expense Reimbursement journal entry.**

**D 100303-72017 (Bursar’s Office Exp- Office Supplies) $150**

**C 100304-72017 (Controller’s Office Exp-Office Supplies) $150**

**Example of a Correcting Journal Entry:**

**For example, a Controller’s Office employee purchased a laptop for $1,500 via check request, but accidentally keyed it to the Procurement index 100306 (keying error). The correction that needs to be made is as follows**

**Note: The department where the original expense or revenue transaction occurred should initiate the Correcting journal entry.**

**D 100304-72023 (Controller’s Office-computer equip < $5,000) $1,500.00**

**C 100306-71011 (Procurement-computer equip < $5,000) $1,500.00**

1. **Exclusions & Special Notes**
2. **COR entries will not be approved until the original item has posted to Banner Finance (We cannot move an item if it does not yet exist). Additionally, the correction should offset the original transaction using the same index and account.**
3. **Grant and Cost Share indexes are not permitted to utilize the COR rule class, please use the Cost Transfer Workflow to move existing items on/off grants or cost shares.**
4. **Labor and Benefit expenses cannot be moved with a COR entry. Please use the Salary Redistribution Workflow to move all labor and benefits. This includes Fee Waiver Benefits.**
5. **Budget Dollars cannot be moved with a COR entry. Please use a Budget Revision form to move budget dollars.**
6. **Encumbrances cannot be moved with a COR entry. Please contact procurement to make any changes to an existing encumbrance.**
7. **You may move capital expenses (78 accounts) to another index, but please contact the Controller’s Office if you need to move expenditures in or out a 78 account, as non-offsetting inventory tags will be created**
8. **General transfers of funds or “Sponsorships” are not permitted via COR entries. COR entries are meant for moving specific transactions. In the event of a transfer/sponsorship, please utilize a budget revision.**
9. **Operating Procedures:**

**COR entries are processed in Banner the same as IDC entries, using form FGAJVCQ or FGAJVCM, but the Journal Type will be COR instead of IDC. Please refer to** [Banner Tips and Quick Guides](https://www.kent.edu/bas/banner-9-training-guides) **on the BAS website for FGAJVCQ and FGAJVCM instruction.**

**When entering information in the Banner online journal entry process COR entries, please be aware of the location (index-account) that the original revenue/expense transaction was recorded to. Your COR entry should be booked the exact opposite of this entry on the credit (moving expense) or debit (moving revenue) side to reverse/move all or a partial amount of the original transaction.**

1. **Corrections and Expense Reimbursements related to Grants**

Due to reporting and documentation requirements, Grants Accounting requires a separate process for corrections and reimbursement of expense entries related to grant funds. These types of transactions should be submitted through the Cost Transfer workflow. This workflow ensures the Principal Investigator has signed off on the expense and that it truly benefits the grant project.

**IV. Other Considerations**

IDC and COR cover most interdepartmental transactions, but there are always situations that fall outside of the normal set of rules. Here are a few other situations to consider:

1. **IDC’s to Grants**

There are a few exceptions that allow IDC transactions to directly charge a grant, but in most cases, the transaction must first charge the home department. To move this transaction from the home department, a Cost Transfer Workflow would need to be initiated. If you have any questions regarding grants, please contact Grants Accounting.

1. **Sponsorships or General Transfers**

The intent of IDC transactions is for the exchange of goods or services, whereas, COR transactions are intended to alter specific revenues/expenses—these are not the appropriate mechanisms for general transfers of funds between departments. A budget revision would be more appropriate in this case. A common example would be one department attempting to pay another department $2,500 in advance of a shared event to cover costs: No goods or services are being exchanged and as this is in advance, no expenses have been recorded yet, so a budget transfer would need to be completed. Budget transfers cannot be completed for Agency or Grant indexes, please contact the Controller’s Office if you fall into this situation.