

University of Missouri System Accounting Policies and Procedures



Policy Number: APM 30.35

Policy Name: Internal Loan

General Policy and Procedure Overview:

The University of Missouri System began the internal loan program during Fiscal Year 1994 to internally finance borrowings throughout the University. This policy provides guidance to the accounting and processing of these transactions.

Definition of Key Terms:

Internal Loan: A Capital Pool was established to manage the consolidated debt structure. To the extent there are balances in the Capital Pool, they may be used to finance borrowings within the University.

Detail Policy and Procedure:

Record Internal Loan Proceeds

The Treasurer's Office receives and processes the loan request and prepares the documentation and amortization schedule for the loan. See

<http://www.umsystem.edu/ums/fa/treasurer/cashmanagement-debt>

The Controller's Office reviews the documentation to ensure it is properly authorized in accordance with the Cash Management Policy. The Controller's Office will transfer the proceeds for an approved Internal Loan once copies of the invoice and voucher are received (via the Treasurer's Office). The Department requesting the loan must pay for the item before loan proceeds are transferred into their ChartField string. If not, the documentation will be filed until the purchase has been completed, and the request will be tracked on the monthly internal loan program reporting (below).

Transaction Description	Account	dr	Cr
Record loan proceeds being transferred into requesting department ChartField string.	862100 Non-Mand Out – R&R (Internal Loan ChartField string)	X	
	391100 Non Man Trf In – R&R (Departments Operating ChartField string)		X

As the loans are processed, the Controller's Office enters the loan details and the amortization schedule to an Excel spreadsheet. This spreadsheet serves as the source for the entries and is, in

effect, a subsidiary ledger used to monitor the Standard Journal Entries set up for the monthly loan payments, and to monitor and control the principal balance as recorded on the General Ledger.

Record Monthly Loan Payments

The monthly loan payments are transferred from the borrowing department to the Internal Loan Program. As loans are processed, a Standard Journal entry is created based upon the Amortization schedule. The Standard Journal Entries are set up each fiscal year. Loan payments continue until the loan is paid off.

Transaction Description	Account	dr	Cr
Record loan payments by transferring into the Internal Loan Program by Standard Journal Entry.	862100 – Non-Mand Out- R&R (Departments Operating ChartField string)	X	
	391100 – Non-Mand Trf In- R&R (Internal Loan ChartField string)		X

Monthly Internal Loan Program Reporting

On a monthly basis, the Controller’s Office prepares a monthly loan report, which is provided to the System Facilities Financial Advisory Committee and the Chancellors. The review by these departments is a managerial control and provides assurance as to the accuracy, completeness, and timeliness of the activity. The report provides summarized information about all the outstanding and pending loans. Specifically, the report has a column for the campus, property description, loan term, loan amount, month-end outstanding loan amount, and potential loans. The excel file also has four non-printed columns, which include information regarding the interest rate, interest earn during the fiscal year, monthly loan payment, and the monthly campus total payments.

Reconciling Process for the Monthly Report

As noted above, the Controller’s Office maintains an excel spreadsheet of all the loans in the program. Every month, the total payment amount and the outstanding principal balance in the General Ledger are reconciled to the totals on the Spreadsheet. These totals are traced to the web report year-to-date account 391100. This meets the accuracy and completeness control objectives.

At year-end, a journal entry is entered to move the total interest earned from loans to the Capital Pool ChartField (1025/U1602001/U8601/00/0), which has a sub-total section just for balances held at the Capital Pool for Internal Loans.

REPORTING PROCEDURES

Attach a copy of the “Internal Loan Program” report to the monthly capital pool report. Give both reports to the Associate Controller for review. Once they are reviewed, the Controller’s Office sends these reports to the appropriate individuals within various departments of the University of Missouri System. This review process is a managerial control.

Responsibilities:

Controller's Office

- Review the documentation to ensure it is properly authorized in accordance with the Cash Management Policy.
- Return improperly approved requests to the Treasurer's office to obtain the proper approvals.
- Transfer the proceeds for an approved Internal Loan after copies of the invoice and voucher are received (via the Treasurer's Office)
- Set up and monitor monthly Standard Journal Entries for loan payments.
- Reconcile monthly internal loans.
- Prepare monthly Internal Loan Program Report.

Associate Controller:

- Review and approve monthly Internal Loan Program report.

Treasurer's Office

- Receive and process the loan request.
- Prepare the documentation and amortization schedule for the loan.

Campus Accounting Offices:

- Pay for the item before loan proceeds are transferred into their account.
- Review and approve monthly Internal Loan Program report.

Effective Date: July 1, 2006

Revised Date: May 7, 2007

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.