Closing An Account in the Finance System

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1. Getting Started

There are several things to consider when closing an account. While the process may seem automated, there are items that require manual intervention, which will take time. This document will help guide you through the process. In general, you should expire the account that you want to close, and then take the necessary steps to prevent future activity on the account. Some cleanup activities will be needed to adjust workflow, assets and accounting line data as well, before finally closing the now defunct account. The checklist in Appendix A of this document reflects the order in which activities should occur.

Course materials referenced in this document can be found on respective pages of the Finance area of the EBS Support web site. Begin here: http://www.ebs.msu.edu/Finance/index.htm.

Expiration Date and Continuation Account

For more information, please review the course materials for EBS-N260 - EBS: Creating Accounting Line Elements.

To close an account, you need to determine the Expiration Date and a Continuation Account:

a. **Expiration Date**: Expire an account at least 1 month before closing it to confirm that all automatic transactions posting to the account have been moved. For information about automatic transactions, please refer to the Expired vs. Closed Accounts matrix in Appendix B of this document.

b. **Continuation Account**: An account number must exist in the finance system before it can be assigned as a continuation account.
   
i. **Funding type** – you many want to use an account with the same fund/sub-fund type (e.g., choose a General Fund continuation account for closing General Fund accounts).

ii. **Salary charges** – confirm your continuation account can accept salary charges if necessary. If it cannot, payroll will not post to the continuation account and individuals’ pay may be held up until an alternate account is provided by the unit.

Closing an Account Checklist

Complete the “Closing an Account” checklist (see Appendix A of this document) and attach it to the note section on the account e-doc request to close the account. This will help approvers in the route node confirm that the appropriate steps have been taken to close the account.

2. Transactions in the Finance System

Pending Entries (enroute for approval)
If you try to close an account with pending entries, you will receive an error message. **Pending items must either be canceled or pushed to final.** To determine pending entries, go to Main Menu > Balance Inquiries > General Ledger Pending Entry inquiry (see screen shot below). For accurate results, remove any data in the Balance Type field, and search in all open periods. 

NOTE: Saved documents are considered pending and need to be cancelled in order to close an account.

Pre-Encumbrances

This section relates to pre-encumbrances created using the Pre-Encumbrance e-doc in the finance system. You should not have any pre-encumbrances open when you close an account. To determine encumbered items, go to Main Menu > Balance Inquiries > Available Balances (see screen shot above). Enter the account number, and set the “Include Pending Ledger Entry” field to “ALL.”

Open Purchase Orders (POs)

For more information, please review the course materials for EBS-N224 EBS: Purchase Orders.

Requisitions and purchase orders cannot be charged to an expired or closed account; therefore, campus should leave ample time for departmental approvals on the requisition as well as the processing time for Purchasing and additional approvals, if needed (i.e. vendor creation/approval, commodity approval, Contracts & Grants, Tax Manager). If the account expires after the PO is issued, a payment can still be made. On a Payment Request, the FO has the ability to override the expired account or charge a new account. Note, the FO cannot override a closed account. There are no approver levels that have the authority to override the accounts on the Purchase Order document. In cases where the account has expired prior to completion of the order, Purchasing will contact the unit, request a new requisition be submitted with a different account number, and will then cancel the original, unapproved Purchase Order. As the Purchase Order does not route to a Fiscal Officer for approval, a new requisition must be created by the unit to ensure departmental approvals occur as enabled by workflow based on the new accounting string.

To determine encumbered items, go to Main Menu > Balance Inquiries > Available Balances (see screen shot above). If an open purchase order exists, you have two options:
a. Request that the PO be modified to include the new account number:
   i. Open PO document.
   ii. Add note.
   iii. In the Notification Recipient field, enter the MSU Net ID of the Buyer/Contract Manager assigned to the PO.
   iv. Click the “send” button to notify the Contract Manager.

b. Update the Payment Request document each time you submit a payment against the PO (not recommended unless there are only a few remaining payments).

**PCards**

For more information, please review the course materials for EBS-N257 EBS: PCard Transactions.

There is no automated way to change a PCard account assignment. Please contact the PCard Admin Team. Closed or expired account activity on PCards (PCDO e-docs) will route to the PCard Admin Team, and they will contact the unit for a new account number.

**Budget (Finance System)**

You should not have an open budget when you close an account. To reallocate a budget, use the Budget Reallocation e-doc in the finance system. Access the e-doc by going to Main Menu > Balance Inquiries > Available Balances (see screen shot above). You should also use the Budget Reallocation e-doc to move the budget or net the budget to zero. Please refer to the Transferring Balances section of this document (below) for more information.

**Transferring Balances**

You cannot close an account with an asset, liability or fund balance. Additionally, revenues must equal expenses.

a. To transfer cash only on an account, use the Transfer of Funds document in the finance system.

b. To transfer revenue, expenses and cash balances on an account, use the Distribution of Income and Expense document in the finance system.

c. To close an account with a fund balance, you MUST wait until the year-end process. Fund balances (activity in object code 3037) will zero out as part of the year-end process.

d. To transfer an account with a budget, you have two options:
   i. Option one: submit a budget reallocation to move the budgeted amount to a new account and use the documents listed in bullets a. through c. above to move other balances.
ii. Option two: if the Office of Planning and Budgets (OPB) disapproves transferring the balance to a new account, the account will need to be closed as part of the year-end process. At this time, all balances (cash, revenue, expense and budgeted) will be swept into the General Fund balance.

e. To transfer salary expenses, you must use a PJE (Payroll Journal Entry) in SAP. If you want to close an account and leave the salary charges on the account, you must remember to leave enough revenue in the account to cover salary charges. The net effect to the fund balance must be zero. Access to the PJE is limited to Payroll Staff. Contact the Payroll Office for more information on transferring salary expenses.

3. Reporting Requirements

Closing an account midyear and splitting activity to new accounts will have an effect on reporting. Your options and the respective impacts are:

<table>
<thead>
<tr>
<th>Options</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave activity (transactions) in the closed account.</td>
<td>To report on a full year’s activity, you will need to combine the old account activity and the new account activity.</td>
</tr>
<tr>
<td>Transfer activity (transactions) by object code balances.</td>
<td>Allows you to report using the new account, however, you will not be able to drill down to the actual transactions that make up the balance.</td>
</tr>
<tr>
<td>Move activity (transactions) to new accounts using the General Error Correction e-doc.</td>
<td>This may be time consuming, however, you can drill down to each transaction, and reporting will not be affected.</td>
</tr>
</tbody>
</table>

4. External Systems

**Budgets (Cognos)**

General Fund accounts cannot be closed during the budget-building process.

**Automatic Transactions**

You may have automatic transactions that post from campus units to the account you want to close. You will need to contact each of the units that use the closed account to provide them with an alternate account. To help identify systems that are using the account, you should expire the account at least one month prior to closing it. Please refer to the Expired vs. Closed Accounts matrix in Appendix B of this document.
Stores Profile
For more information, please review the course materials for EBS-N221 EBS: Shop at State.

Employees’ Stores profiles may have the account you want to close associated with them, so it must be updated. NOTE: This must be done by the employee. To update the profile account, log into EBS, then click on the Finance System tab, then the Shop at State link (see below).

Select the link assigned to your name, update the account number, and click Save.

HR Appointments
For more information, please review the course materials for EBS-N360 EBS: Pay and Cost Redistribution.
Before closing an account in the finance system, please confirm that no Human Resources records exist on the account. HR Unit Administrators can determine if funding records exist on the account by going to Unit Administrator > Administrative Services > Time Management and Payroll Services > Employee Accounting String Distribution (see screen shot below).

Choose the “radio button” for the appropriate portion of the accounting string. For Account only, enter chart MS, then Account, then Execute.

### 5. Maintenance Items

#### Inactivate Sub-Accounts and Sub-Object Codes

For more information, please review the course materials for EBS-N260 - EBS: Creating Accounting Line Elements.

Once an account is closed, you can no longer use sub-accounts and sub-object codes assigned to it. You can, however, continue to use them on other accounts to which they are also assigned. We strongly recommend you deactivate the sub-accounts and sub-object codes associated with the closed account.

In edit mode, uncheck the Active Indicator box on the Sub-Account e-doc (see below).
In edit mode, uncheck the Active Indicator box on the Sub-Object Code e-doc (see below).

In activate Account Delegations

For more information, please review the course materials for EBS-N248: Creating Workflow.

Account delegation assigned to a closed account will no longer be active. We strongly recommend that you deactivate the account delegations. Using the Account Delegate Lookup, in edit mode, uncheck the Account Delegate Active box on the Account Delegate e-doc (see screenshot below).
Move Assets

For more information, please review the course materials for EBS-N264: Capital Asset Transactions - Parts 1 and 2.

When an account is closed, you may move the asset to a new account. **This is optional.** To do so, the CAM processor for your unit needs to initiate an Asset Transfer and include the new account. Using the Asset e-doc, search for the Asset, and select the transfer option.

Account Attributes

For more information, please review the course materials for EBS-N260: Creating Accounting Line Elements.

Before closing an account, confirm it is not being used as an attribute of another account. Below is a list of fields to review:

- a. Endowment Account Number
- b. Non-Grad Fringe Benefit Account Number
- c. Grad Tuition and Fees Fringe Benefit Account Number
- d. Grad Health Fringe Benefit Account Number
- e. **Continuation Account Number** – VERY IMPORTANT TO REVIEW
- f. Contract Control Account Number
- g. Indirect Cost Recovery Account Number

In order to review this data, you must have access to the Enterprise Data Warehouse to view the table FINANCE_KFS_CA_ACCOUNT_V. For more information about accessing the EDW, visit the Data Warehouse Access and Security page at [https://login.msu.edu/?App=EBSP-Dev-DataService](https://login.msu.edu/?App=EBSP-Dev-DataService).
6. Workflow Items

Service Billing Processor

For more information, please review the course materials for EBS-N242 - EBS: Service Billing Preparer.

If your unit uses the Service Billing document, you must prepare an ARM form to update the account number qualifier.

7. Close an Account

For more information, please review the course materials for EBS-N260 - EBS: Creating Accounting Line Elements.

a. Once you have completed the Closing an Account checklist (see Appendix A), you may now close the account.

b. In the Finance System, using the account lookup, search for the account you want to close.

c. Open the account e-doc in edit mode.
   i. Populate the following fields:
   ii. Expiration Date
   iii. Check the Closed Indicator
   iv. Continuation Chart and Account

d. Attach the Closing an Account Checklist to the Note/Attachment section of the document.

e. Submit the document for approval.

If you close an account in error, please contact Evelyn Portee, University Chart Manager at portee@ais.msu.edu immediately.

Please refer to the Expired vs. Closed Accounts matrix (see Appendix B) to learn more about what happens with closed or expired accounts.
# Appendices

## Appendix A – Closing an Account Checklist

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Completed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expire the account</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expiration date determined</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Continuation account (accepts salary charges if</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Transactions (Finance System)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pending entries (canceled or pushed to final)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pre-encumbrances removed from account</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Open Purchase Orders (PO) removed from account</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PCards assigned to different account</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget reallocated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balances transferred</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Reporting requirements reviewed</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>External systems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Units submitting automatic transactions updated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stores profiles updated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR appointments corrected</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Maintenance items</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sub-accounts and sub-object codes inactivated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Account delegations inactivated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assets moved</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Confirmed that account is not an attribute on other accounts</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Workflow items</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Billing Processors only: ARM submitted</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Close the account</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix B – Expired vs. Closed Accounts

<table>
<thead>
<tr>
<th>Items</th>
<th>System</th>
<th>Conditions</th>
<th>If the Account is expired,</th>
<th>If the Account is closed,</th>
<th>Sub-Account/Project is inactive,</th>
<th>Sub-Object Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Feeder - Phys Plant</td>
<td>Feeder System (Exclude HR/Payroll)</td>
<td>post to continuation account</td>
<td>post to continuation account</td>
<td>batch removes accounting line, posts batch.</td>
<td>batch removes value</td>
</tr>
<tr>
<td></td>
<td>Feeder (all others)</td>
<td>Feeder System (Exclude HR/Payroll)</td>
<td>post to continuation account</td>
<td>post to continuation account</td>
<td>batch removed for error correction and resubmission</td>
<td>batch removes value</td>
</tr>
<tr>
<td>2</td>
<td>HR/Payroll</td>
<td>Feeds from HR/Payroll System</td>
<td>post to expired account (with error report)</td>
<td>post to continuation account (with error report)</td>
<td>batch removes value (with error report)</td>
<td>batch removes value</td>
</tr>
<tr>
<td>3</td>
<td>HR/Payroll</td>
<td>Within HR/Payroll System - establishing NEW funding line on an employee payroll record using account number</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
<tr>
<td>4</td>
<td>HR/Payroll</td>
<td>Within HR/Payroll System - existing funding lines on employee payroll record</td>
<td>post to expired account (with error report)</td>
<td>post to continuation account (with error report)</td>
<td>batch removes value (with error report)</td>
<td>batch removes value</td>
</tr>
<tr>
<td>5</td>
<td>Finance</td>
<td>Documents within Finance System (Group A):</td>
<td>(see below)</td>
<td>(see below)</td>
<td>(see below)</td>
<td>(see below)</td>
</tr>
</tbody>
</table>

- Advance Deposit: Override option is available, disallowed, disallowed, disallowed
- Auxiliary Voucher: Override option is available, disallowed, disallowed, disallowed
- Budget Reallocation: Override option is available, disallowed, disallowed, disallowed
- Cash Receipt: Override option is available, disallowed, disallowed, disallowed
<table>
<thead>
<tr>
<th>Items</th>
<th>System</th>
<th>Conditions</th>
<th>If the Account is expired,</th>
<th>If the Account is closed,</th>
<th>Sub-Account/Project is inactive,</th>
<th>Sub-Object Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Finance</td>
<td>Documents within Finance System (Group B):</td>
<td>(see below)</td>
<td>(see below)</td>
<td>(see below)</td>
<td>(see below)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Asset Global (Add)</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Requisition</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payment Request</td>
<td>disallowed</td>
<td>disallowed</td>
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<td>disallowed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Invoice Request</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vendor Credit Memo</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
<tr>
<td>7</td>
<td>Stores</td>
<td>Stores Purchases</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
<td>disallowed</td>
</tr>
</tbody>
</table>