University of Michigan Medical School Administration
Departmental Commitment Policy

I. Purpose

To record outstanding departmental commitments against net assets to more accurately reflect the financial position of the medical school and departments.

II. Policy

Departments will record liabilities in the general ledger that reflect written commitments of $50,000 or more where the commitments are against unrestricted funds, made by department leaders to faculty, staff, or other university departments/programs. An offsetting entry for all departmental commitments will be recorded at the medical school level, in order to net out any impact to university reporting.

Examples of liabilities that should be recorded include:
- Faculty commitments (e.g. research start up, discretionary funds, recruitment, retention, bridging funds, academic incentive funds)
- Cost sharing commitments
- Capital/equipment commitments
- Program development/support

Unrestricted funds are defined by all funds that are not subject to external restrictions placed upon it either by a donor or by a federal/non-federal granting agency.

All written commitments of $50,000 or more will be recorded in the general ledger. Departments may choose to record commitments using a lower threshold.

III. Procedures

A. On a quarterly basis, University of Michigan Health System (UMHS) Finance will send a worksheet to the finance contact for each Medical School department and center.

See example worksheet named Departmental Commitments Example Worksheet located at: http://msa.med.umich.edu/ft
B. The department will record commitment changes on the worksheet and return it to UMHS Finance who will record the changes in the general ledger.

1. Balance Sheet
   As reflected on the worksheet, the outstanding balance will be split 20% short-term, using account 288111 (Dept Encumbrances Short Term) and 80% long-term, using account 288112 (Dept Encumbrances Long Term) unless stated otherwise by the department.

2. Income Statement
   UMHS Finance will adjust account 624817 (Dept Encumbrances for New Commitments) and account 624818 (Dept Encumbrances Adj for Reductions to Prior Commitments).

3. UMHS Finance will book contra entries to both the balance sheet and income statement using account 231005 (Medical School Institutional Department).

C. Medical school departments and centers will retain supporting documentation for all commitments.

D. Health System Finance will periodically review departmental source documents to ensure the general ledger is consistent with departmental documentation.

IV. SPG Reference – N/A

V. Approval
   Signature: James A. Bell / James A. Bell
   Date: August 11, 2011