

# COVID-19: FUND ACCOUNTING

## PREPARING TO MANAGE RELIEF FUNDS WITH ORACLE CLOUD

As your organization takes advantage of available federal and state funding to support the impacts from — and the response to — COVID-19, learn features and configurability within **Oracle** that can help you proactively strategize the best way to track, manage and report transactions related to these new resources. Understanding the options available within Oracle Cloud, combined with careful planning, can help reduce administrative efforts and support financial reporting and compliance requirements.

The COVID-19 pandemic has created unprecedented disruption and financial uncertainty for organizations across public and private sectors. While the full extent of COVID-19's financial impact will take months to understand, funding relief to help organizations and individuals is available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funding opportunities will differ in purpose, amount, reporting and regulatory requirements. Prior experience with relief and recovery stimulus support indicates there will be a need to track, manage and report back to governmental agencies on how these relief funds are spent.

Some organizations — including colleges, universities and academic health centers — have already designed Oracle Cloud to support grants and contracts received from federal and state agencies. Other organizations may be new to managing the requirements that accompany government funding. In either case, it is important to think through how you can optimize Oracle Cloud to meet requirements for any funding you receive.

### Financial Management and Reporting Considerations

Oracle Cloud offers the flexibility to track, manage and report transactions related to the CARES Act and other COVID-19 funding. Institutions will need to evaluate whether the existing financial structure for managing restricted funds may be suitable to meet the setup, as well as the related transactional and reporting needs. Institutions should consider whether relief funds will be managed exclusively in the General Ledger (GL), or if the institution will leverage the Project Portfolio Management (PPM) module in conjunction with the GL. While each approach has its own process and configuration implications, both provide functionality to manage your transactional and reporting needs — in either case, it is critical to have a well-defined plan before spending relief funds.

### Managing COVID-19 Funds in the General Ledger

If you plan to manage restricted funds solely in the General Ledger, you should consider how to incorporate COVID-19 relief into your chart of accounts (CoA). The most critical element of this approach is to ensure a unique chart of accounts value, or a unique combination of values, can be used to identify COVID-19 relief activity distinct from all other activity while minimizing impact to any unrelated operational and reporting requirements that may already exist at your institution. You must evaluate your CoA design and segment definitions to determine which segment is best suited to tracking this information. Once the proper segment has been identified, you must determine whether your current values and hierarchies are suited to track the relief funding or if additional values or hierarchies are needed.

The most common segment that may meet this need is the **Fund** segment, used to track distinct “pots of money” with their own spending or reporting requirements. To effectively parse federal or state COVID-19 relief funds from other operations, you may want to add a new restricted fund value for each source of relief funding (e.g., CARES Act). By adding a distinct fund value and instructing all users to leverage it when spending or recognizing COVID-19 funds, you can easily report on relief funding via the General Ledger; an analysis of all transactions associated to that fund value will provide a holistic view of relief fund usage. Additionally, since the fund segment is generally configured to be a balancing segment, the fund balance will carry forward into the next fiscal year. When adding additional fund values to the hierarchy, ensure you consider the generally accepted accounting principles (GAAP) requirements that apply to your institution as well as applicable accounting standards,

audit requirements and financial statement impacts prior to making any configuration adjustments.

If your institution does not have a segment with a similar definition, you may prefer to leverage an interdisciplinary segment with shared values across the institution, such as **Program**. You should evaluate in coordination with key central and departmental financial stakeholders to ensure the impact of your approach is fully understood, including implications to business processes, security and workflow, cross validation rules, and financial reporting. It is important to make this decision cognizant of existing uses and values in the selected segment to avoid conflicts; if your institution is already using a segment to track activities that may need to be reported in conjunction with COVID-19 relief funds, you should avoid using that same segment to track things like the CARES Act. For example, an institution may desire to see all financial activity related to commencement that is also related to COVID-19 relief — in this case, the institution must ensure the COVID-19 relief value is in a separate segment from the commencement value.

## Managing COVID-19 Funds in Project Portfolio Management (PPM)

Some institutions may opt to leverage subledger functionality to manage COVID-19 relief funding, rather than relying exclusively on CoA design and GL activity; this approach allows the detail about this activity to be housed outside the GL, thereby reducing General Ledger activity and CoA maintenance. PPM is commonly used by higher education institutions and academic health centers to manage restricted funding and track budget, funding and costs, as well as other institutional demographics. For those organizations, expanding the scope of funds managed within PPM to include COVID-19 relief funding may be a logical extension of existing design principles, as much of the underlying processes and foundational configuration would likely exist already. However, even institutions that are already using PPM will need to consider whether this new relief funding can be managed within an existing business unit or project unit and will also need to evaluate reporting requirements to properly track costs and revenue related to COVID-19 funds. Ultimately, the design should support management and reporting on each source of relief funding independently, as well as in aggregate.

For institutions that already use PPM's Grants Management module, a logical approach to tracking COVID-19 relief funds in PPM would be to establish each relief package as its own award, as each package may have its own sponsor, as well as distinct restrictions that impact the type of spending allowed or the effective date range in which the funds may be used. Identifying each package as an award helps your institution to maximize delivered functionality related to funding, budgeting and demographics, and will also likely allow you to leverage existing award management reports or dashboards to manage COVID-19 funds. Institutions that do not currently use Grants Management in PPM can follow a similar approach by establishing each relief package as a billable, nonsponsored project leveraging the Project Financial Management module. In either approach, a wide range of options exist within PPM to assist with tracking activities related to relief funding, such as managing COVID-19 relief funds within a dedicated business or project unit exclusive to isolate them for reporting to facilitate easy end-user identification. Additionally, keywords, references and descriptive flexfields can be configured to tag awards and projects to assist with tracking and reporting. The right attributes to identify COVID-19 relief funding will vary by institution — you should consider your existing uses of PPM, existing reporting capabilities and related accounting configuration.

Additionally, tracking relief funds in PPM allows your institution to leverage the Enterprise Contracts module's capabilities for invoicing and revenue recognition. You should evaluate any existing contract invoice and contract revenue configuration and processes to confirm how they can support any distinct accounting or fund recovery requirements of your COVID-19 relief packages, as well as the original PPM design principles during implementation, and — when existing configuration is insufficient — the amount of additional configuration, business process support and change management needed to meet the gap between the current design and the future state.

## Preparing to Deploy

Once your approach is confirmed, all changes to business processes, configuration, integrations and reports should be completed and tested. If deploying changes within PPM, testing subledger accounting rules as well as period close processes is critical. As with any Oracle Cloud change, notify your user base and communicate what is expected of them as they initiate spending CARES Act or other COVID-19 relief funding.

## Summary

The COVID-19 pandemic poses unprecedented challenges for every industry. Monetary relief is generally welcomed and needed; being prepared to properly manage and satisfy subsequent reporting requirements will decrease administrative burden and minimize compliance risk. Your deployed Oracle Cloud solution offers pathways to help you respond to a rapidly changing landscape as long as you evaluate your options and design that work best for your organization, are mindful of subsequent configuration updates, and invoke proper release management.