

ACCOUNTING REFERENCE – INTERFUND REIMBURSEMENTS

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Interfund Reimbursements

Definition:

Repayment to a fund for expenditures or expenses initially made from it that should be charged to a different fund. This is an adjustment to expenditures or expenses. That is, an expenditure or expense, as appropriate, should be recorded in the reimbursing fund, and a reduction in an expenditure or expense should be recorded in the fund that is reimbursed. This ensures that the expenditure or expense is not recorded twice in the financial statements. Allocation of overhead should be treated as a reimbursement rather than as interfund services provided and used.

Reimbursement is not to be used for interfund loans, interfund transfers, or other interfund activities. Payments received by proprietary funds for goods and services are treated as revenue and should not be recorded as reimbursements

Example Types of Transactions

1. Direct Expense Reimbursement:
 - Costs that can be attributed to only one, business area, project, program, activity or contract. For example, employee testing is centrally done by the HR business unit. As each business unit consumes the service, they reimburse HR for the actual cost of the service consumed.
2. Indirect Expense Reimbursement:
 - Cost that cannot be directly attributed to a specific business unit, but can be identified with multiple cost objects such as overhead and general administrative costs. For example, reimbursement of accounting services provided by Central Accounting where costs are collected and then allocated or charged out to the bureaus paying based on their share of the general overhead rate.

Note: If reimbursement is not made within the current fiscal year, a year-end adjustment should be made to treat the outstanding amount as an accounts receivable.

Example: To move expenditures and cash between two funds within the agency:

The General Fund (100000) paid PBOT (200000) safety issue evaluation invoice of \$475.00 and the expenditure was recorded in the general fund. The following describes the accounting procedure to reimburse the general fund and to properly charge PBOT for the expenditure.

Direct Expense Reimbursement: Entry to record Fund 200000 refunding Fund 100000 for paying its invoice

Display Document: Data Entry View

Display Currency General Ledger View

Data Entry View

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Currency	USD	Texts exist	<input type="checkbox"/>	Ledger Group	

Item	D	PK	S	Account	Description	Amount in LC	Cost Center	Order	WB...	Functional Area	Fund	BusA	Grant
1	S	40		529000	Misc services	475.00	TRMN000001	9TR000001302		TPMAIN00000000GT	200000	TR00	NOT-RELEVANT
2	H	50		529000	Misc services	475.00-	MFHR000001			LAOPSR00000000GL	100000	MF00	NOT-RELEVANT

The net effect of this transactions is that the General Fund (100000) will show zero expenditures for safety issue evaluation while PBOT (200000) will show an expenditure of \$475.00.

Note: The movement of cash will take place in the background. The pooled cash account will show an increase (debit) to the general fund account and a cash reduction (credit) in PBOT pooled cash account.