When a capital project is completed in Design and Construction Services or Facilities Management, a number of final steps are taken to close the project within the department, including physical completion, punch list completion, final acceptance, notice of completion, and retainage release. Capital projects are generally closed at the department level on a case-by-case basis to accommodate the guarantee period and other unique factors.

UCOP Capital Planning policy requires that all capital projects approved by UCOP have a final Capital Improvement Budget (CIB) Report submitted to UCOP no later than 60 days after Notice of Completion¹ is submitted to UCOP Capital Planning. Once notified by the department, DFA Executive Director Financial Reporting will submit the Close-out CIB to UCOP Capital Planning when the project is closed out. The Principal Finance Analyst – Capital Projects will enter the final CIB budget for the project into the UCOP Capital Projects Database.

Once these steps have been accomplished and there is no further anticipated work or budget requirements, the KFS² closing process should begin.

**Campus**

The first step is to transfer any remaining balances to the original funding source. The remaining funds usually go back to the funding account from which they came. For campus auxiliary units, the funds typically go back to their reserve fund or the account that funded the project.

¹ The purpose of the Notice of Completion is to provide documentation to memorialize the final completion for the Project file, and to be recorded by the County.

² KFS stands for Kuali Financial System, UCI’s comprehensive enterprise financial system, used to process most of the campus’ financial transactions.
There are very few instances where the remaining funds are transferred to a different project account. Exceptional circumstances like this require a signed memo documenting the agreement, signed by all affected parties.

Typically, by this point, the project has been flagged for capitalization. According to the UCOP accounting manual, a project should be capitalized when construction is 90% complete or a certificate of occupancy has been issued. When a project has spent 90% of its budget, the office of the Assistant Vice Chancellor for Process Improvement notifies the Accounting Office that the account should be capitalized. The capitalization process occurs twice yearly in KFS after the December fiscal close and as part of the June fiscal year-end close. Once an account is flagged for capitalization, it automatically continues to capitalize every December and June.

When a project is capitalized by the Accounting Office, the expenses are reclassified to a capital object code so that KFS will generate capitalizing entries. In doing this, offsetting object code entries are generated. The balances in these objects remain on the account and will roll forward in period CB (Contracts and Grants Beginning Balances) where they are eliminated by the Accounting Office.

Immediately after projects have been capitalized and all of the balances zeroed, the accounts should be end-dated in KFS and a continuation account linked to the project should be established.

If a transaction is entered into KFS for an end-dated project, the transaction will instead post to a continuation account. The continuation account for the campus is 998100 / 981000 and the continuation account for the medical center is 997615 / 9761510. These continuation accounts should be monitored monthly to identify and reclassify transactions that were entered for completed projects. Continuation accounts should contain no transactions at fiscal year-end. No projects should be initiated or continued through the use of a continuation account.

The contact for campus is the Assistant Vice Chancellor for Process Improvement. The principal finance analyst – capital projects in the AVC’s office reconciles the activity in the campus continuation account.

Six months after capitalization, end-dated projects should be closed completely. Prior to making this entry, the Accounting Office will notify the principal finance analyst – capital projects in the Process Improvement Office of the projects that will be closed. After this validation, the Accounting Office will check the “closed” box in KFS. At this point, no transactions may be entered (an error message is generated) into KFS for these projects.

Medical Center
The contact for the medical center is the medical center accounting manager who is responsible for reviewing and reconciling the continuation accounts. After a project is completed, funds are transferred to plant account 997729. Studies and other planning costs are funded by establishing

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3 Capitalization is taking equal amounts of budget and expense off the ledger and adding it to the asset value of the building. It is an accounting method in which a cost is included in the value of the asset and expensed over the useful life of the asset – instead of being expensed in the period in which the cost was originally incurred.

4 The UCOP Accounting Manual for Plant Accounting: Investment in Plant – Capitalization and Elimination in Current Funds can be found here: [https://policy.ucop.edu/doc/3410286/AM-P415-3](https://policy.ucop.edu/doc/3410286/AM-P415-3)

5 A “continuation account” serves as a suspense account. Unforeseen expenses will hit this account once the main project account is end-dated.
a new project account and transferring the related budget and funds from 997729 to the new project account.

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