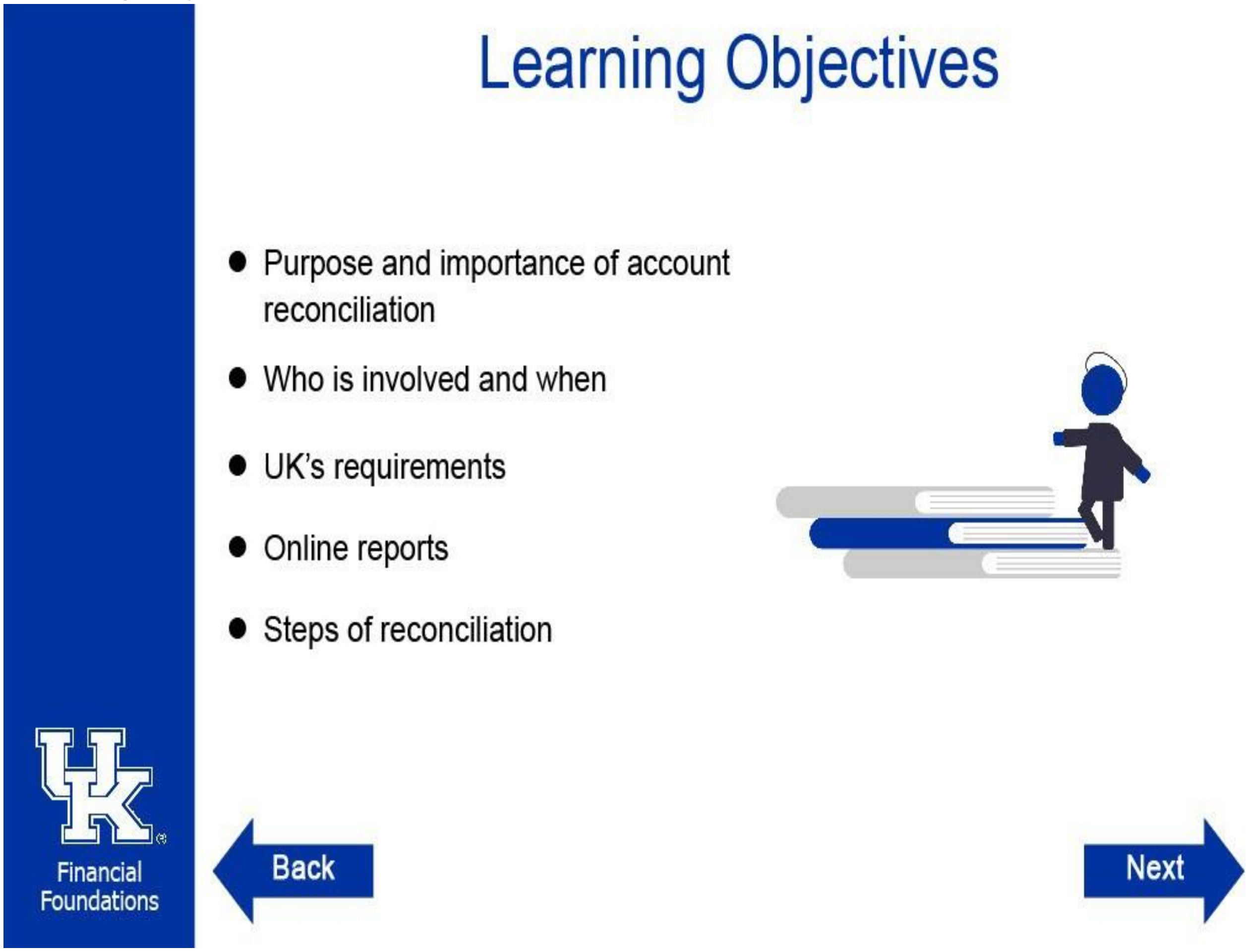
Slide notes

Welcome to the Finance and Administration Specialized Training Program.

There are five introductory FAST courses called Financial Foundations. We hope the Account Reconciliation course is beneficial to your daily responsibilities at the University of Kentucky.

Quick reference guides and a review of the course can be found on the FAST website.

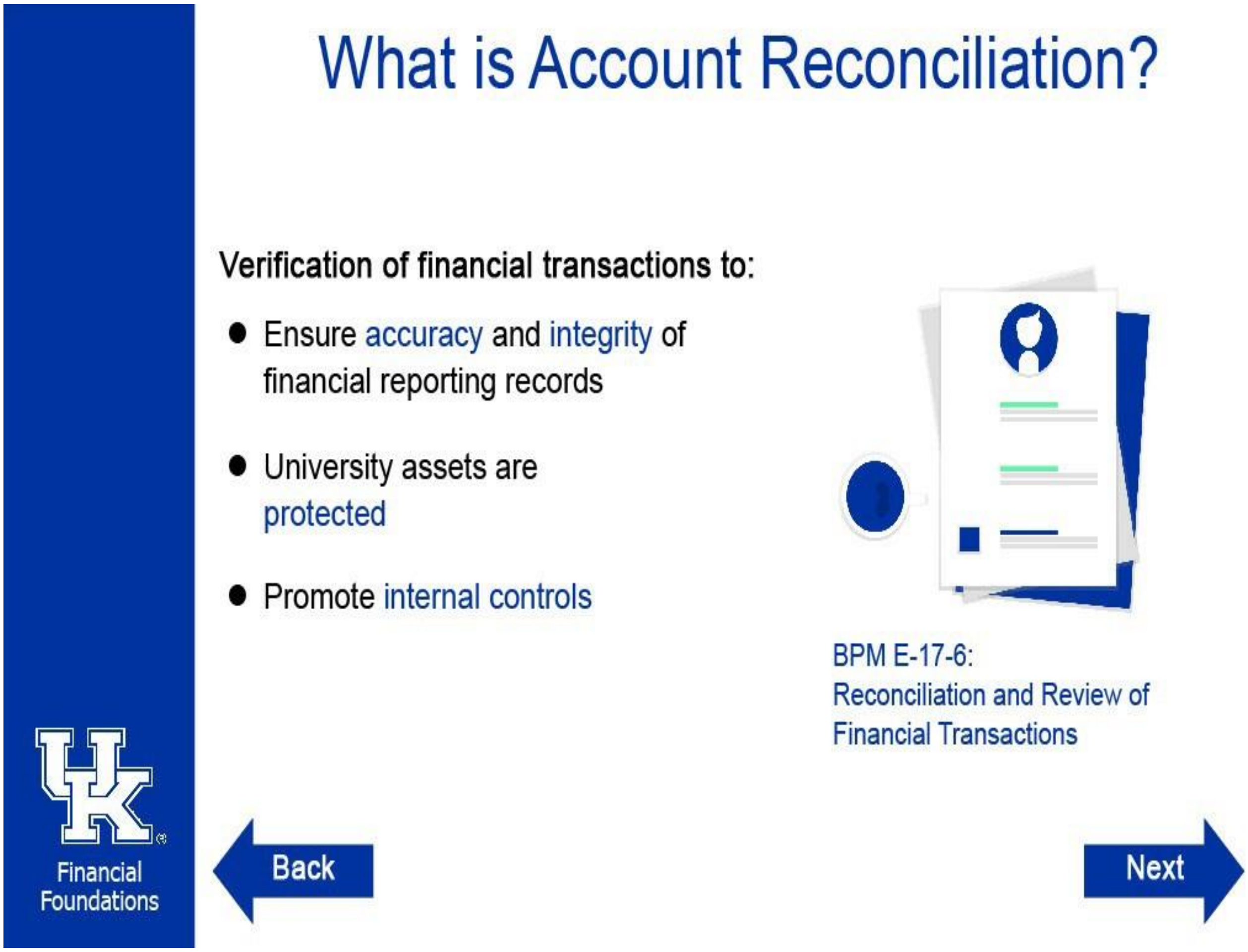
Learning Objectives



Slide notes

This training will provide insight into the overall purpose and importance of account reconciliation, including who is involved in the process and when, the university's requirements for account reconciliation, online reports that are used, and the steps involved in conducting an account reconciliation that meets the university's requirements.

What is Account Reconciliation?

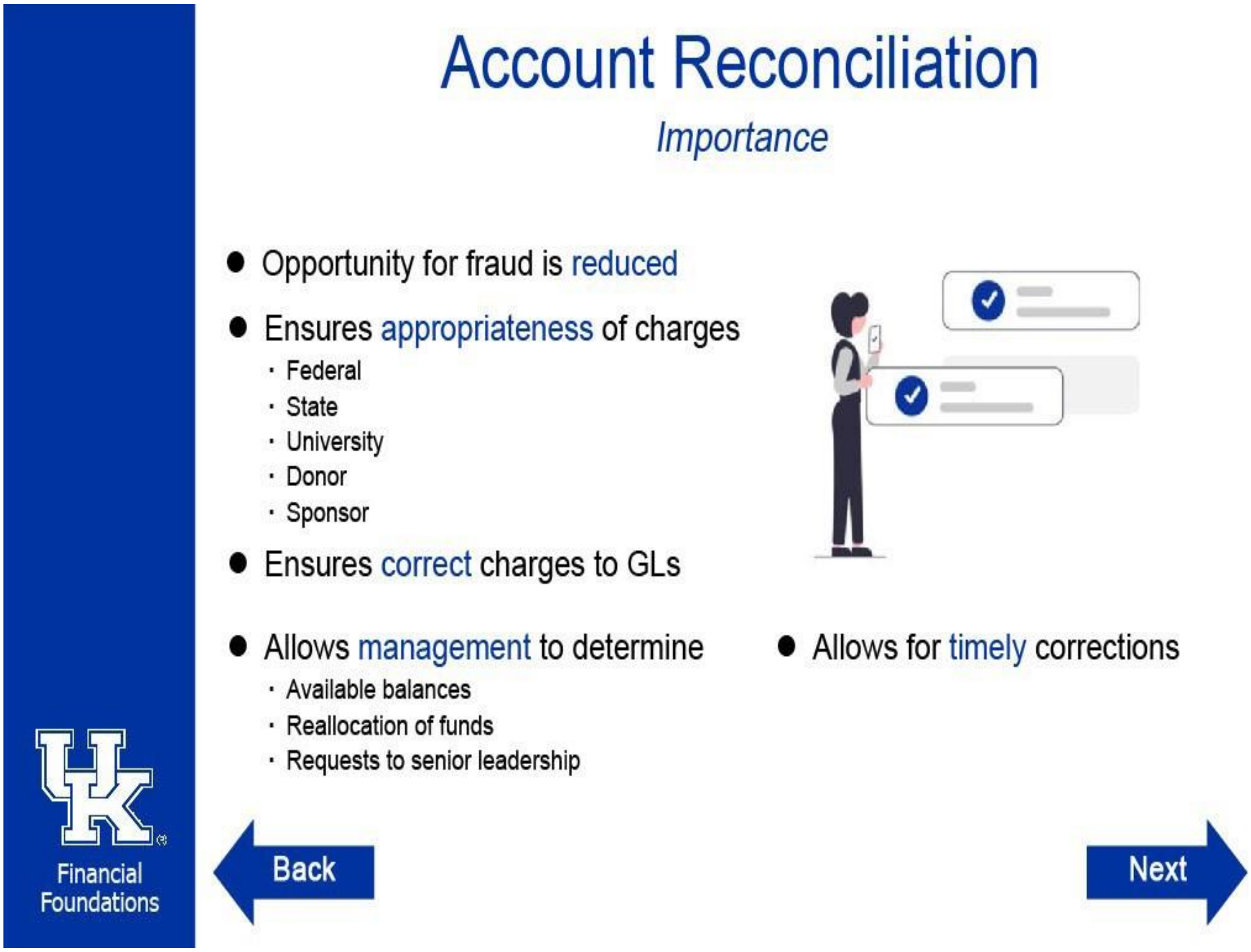


Slide notes

Account reconciliation is the process of verifying financial transactions to ensure the accuracy and integrity of financial reporting records, ensure university assets are protected, and to serve as a key element of the university's system of internal controls.

The full account reconciliation policy can be found in the UK Business Procedures Manual, or BPM, E-17-6, that includes information on the references mentioned in this course.

Account Reconciliation Importance

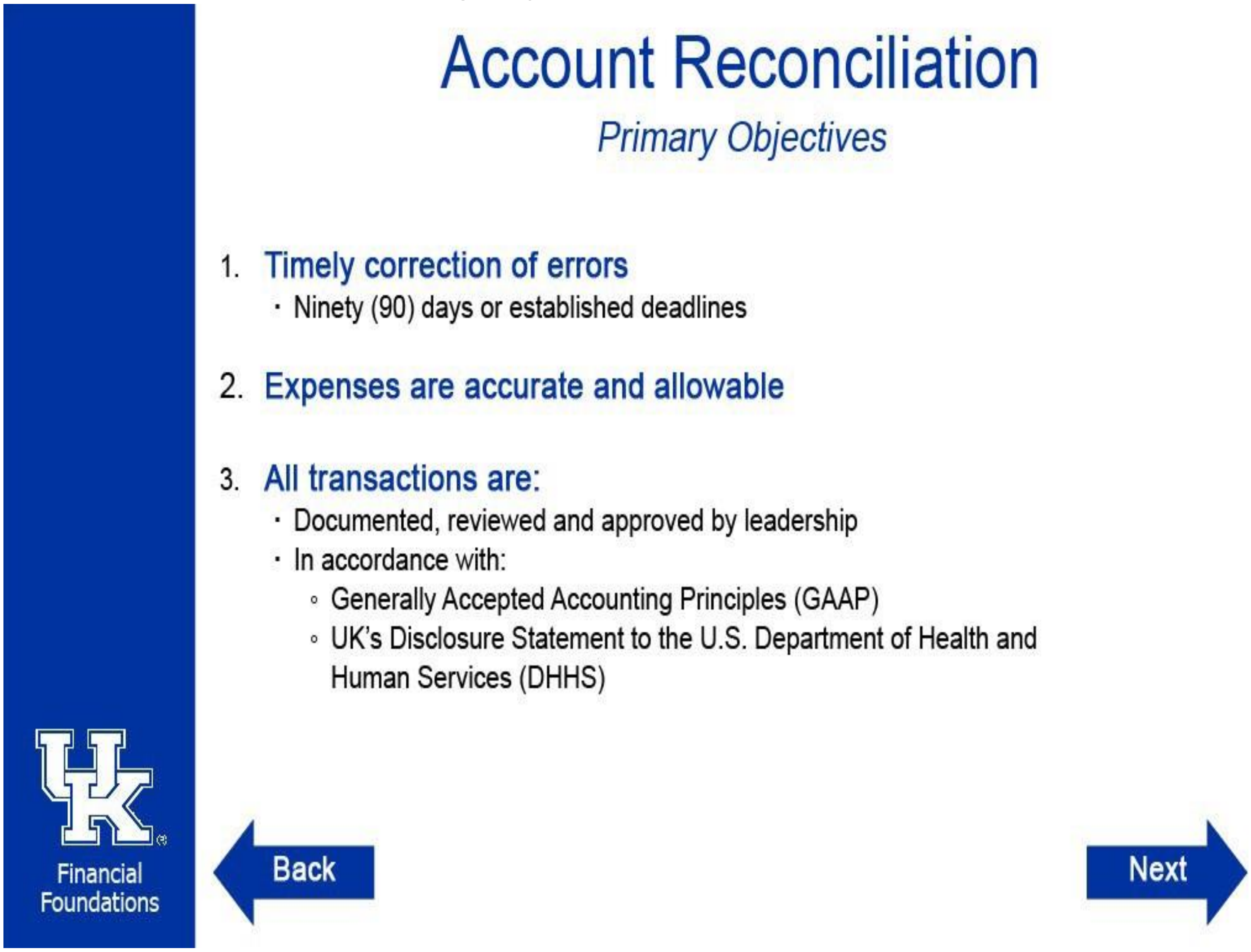


Slide notes

Account reconciliation is important for many reasons, in particular, it greatly reduces the opportunity for fraud or inappropriate use of funds.

- It ensures the appropriateness of charges.
- It also ensures costs have been charged to the correct general ledger, or GL accounts.
- It allows management to determine available balances.
- And finally, it allows for timely corrections due to erroneous postings and other errors.

Account Reconciliation Primary Objectives



Slide notes

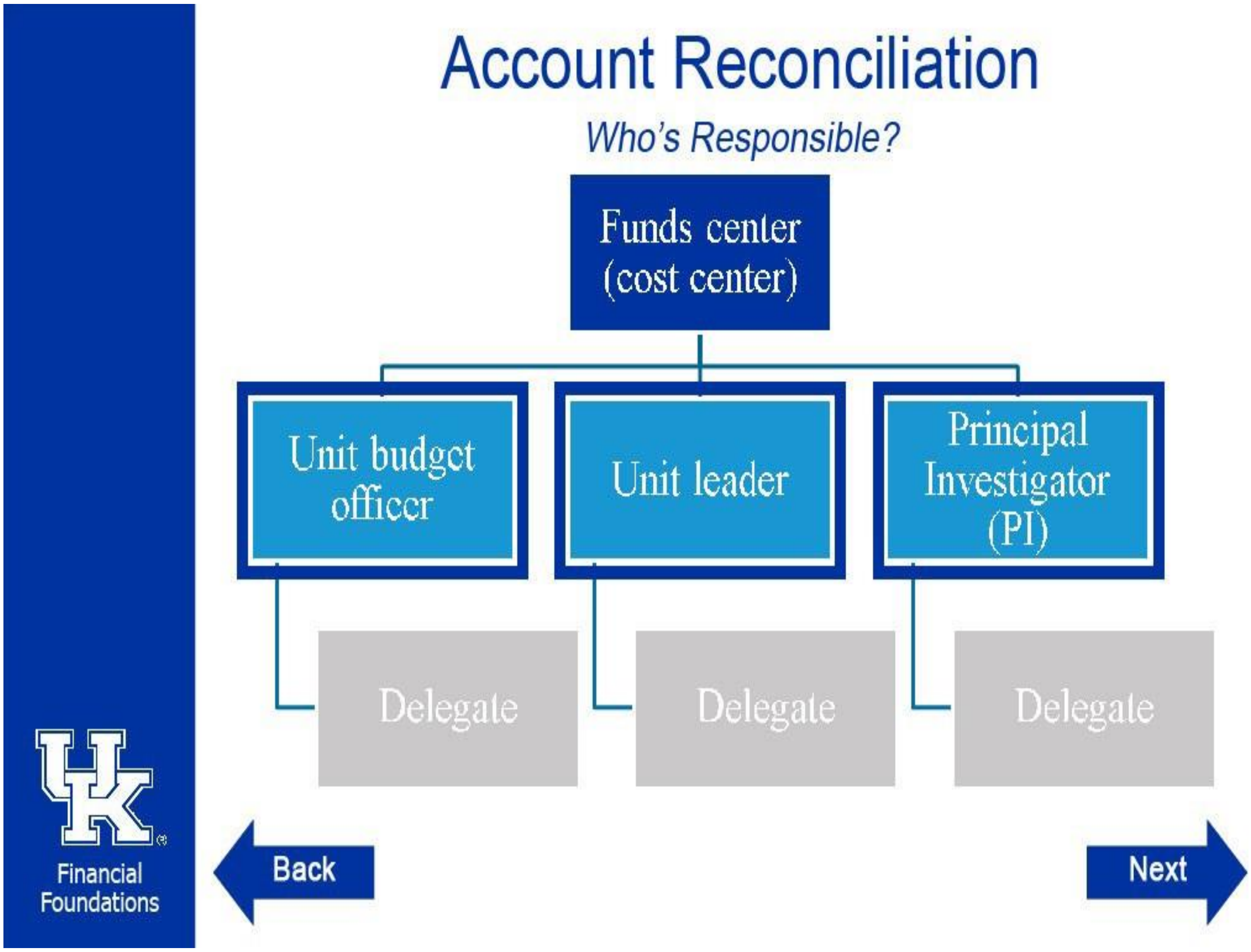
The primary objectives of the reconciliation and approval process are to ensure the following:

First, any incorrect charges or errors are corrected as soon as possible.

Next, all expenses charged to a cost object are accurate and allowable for that cost object per regulations and policies set forth by the university.

And the final primary objective of account reconciliation is to ensure all transactions are documented, reviewed and approved by the organizational unit head, in accordance with generally accepted accounting principles and in accordance with UK's Disclosure Statement to our federal cognizant agency, the U.S. Department of Health and Human Services.

Account Reconciliation Who's Responsible?



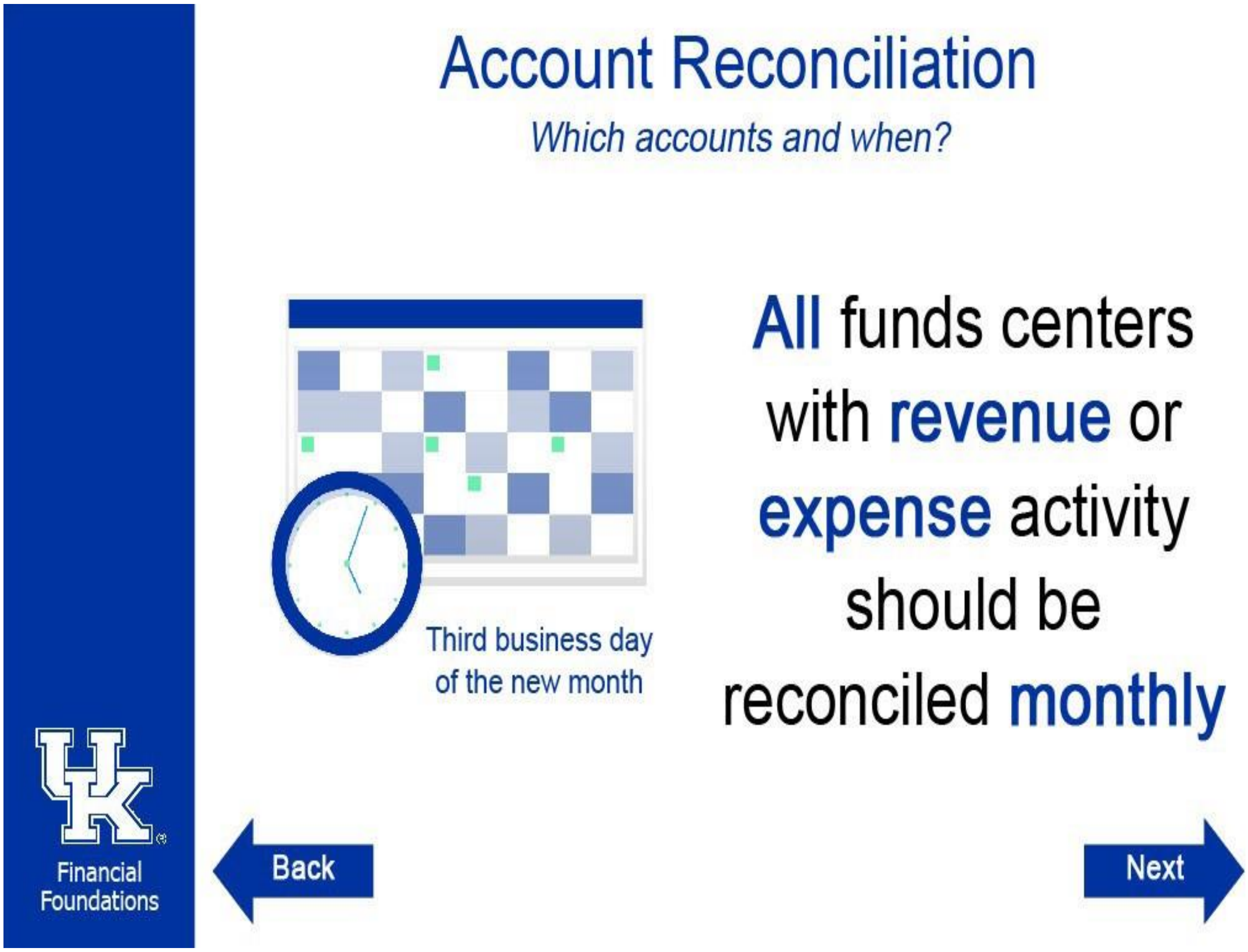
Slide notes

Each funds center commonly referred to as cost center has a designated responsible person. That person is typically either the unit budget officer or unit leader and is responsible for the account reconciliation of that cost center.

Account reconciliation may be delegated to administrative staff; however, it is important to remember delegates must complete applicable training, and internal controls must be put in place for review and approval of all reconciliation reports. Ultimately, oversight of the account reconciliation process remains the responsibility of the unit leader or responsible person on the funds center.

In addition, while sponsored projects accounts are typically reconciled by the administrative staff in the unit, the Principal Investigator, or PI, is ultimately responsible for the expenses and review of the reconciliation.

Account Reconciliation Which accounts and when?



Slide notes

Determining which funds centers to reconcile is fairly straightforward. All funds centers with revenue or expense activity should be reconciled monthly. Month-end closing occurs three business days after the last day of the month.

At that point in time the reconciliation process should begin, with the intent of completing it prior to the following month end. If you have a funds center that is not expected to have activity, you should submit a cost center change form to request the funds center be blocked. Transaction activity is restricted on blocked cost centers, so they would not require reconciliation.

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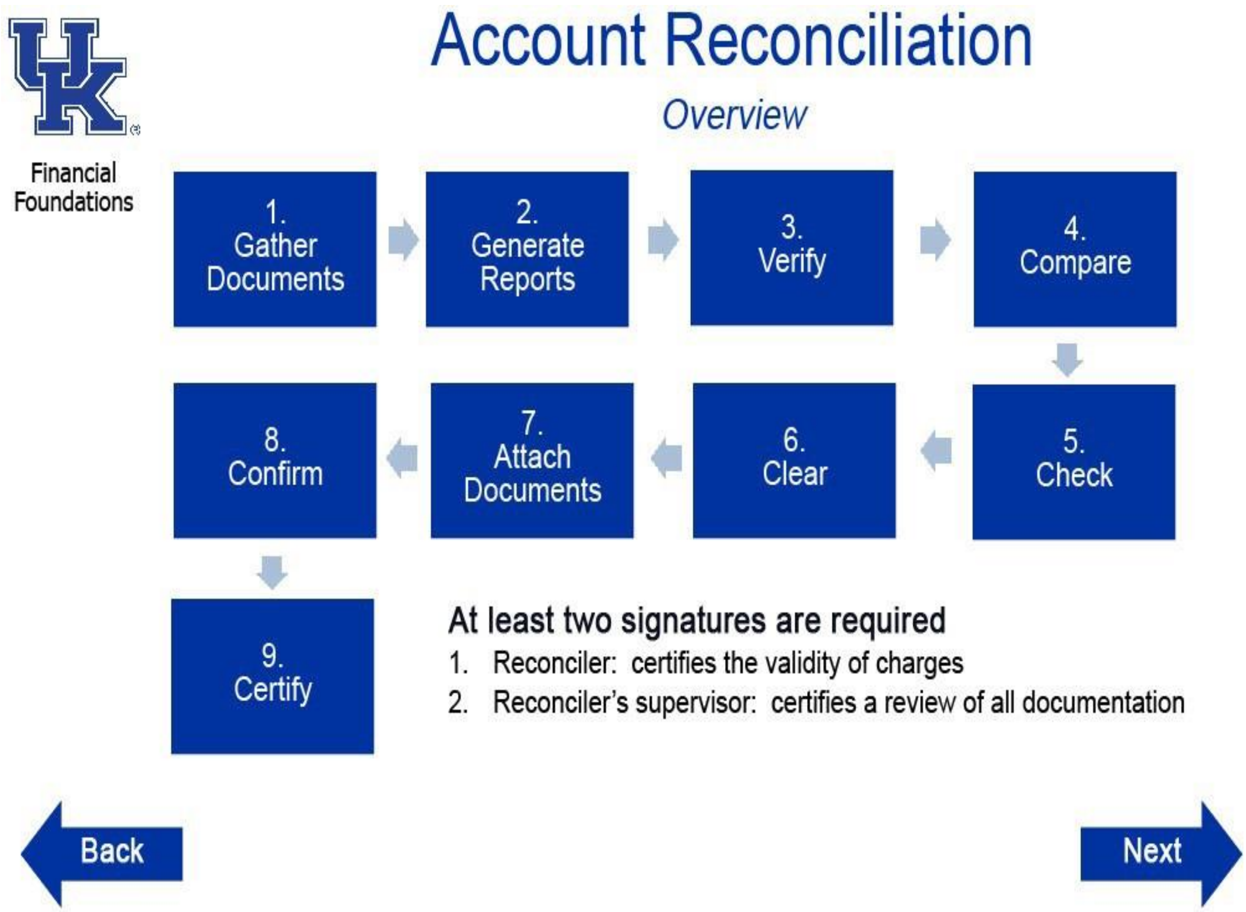
Account Reconciliation Overview



Slide notes

Now that we've discussed the importance and some basic logistics regarding account reconciliation, let's look at the process.

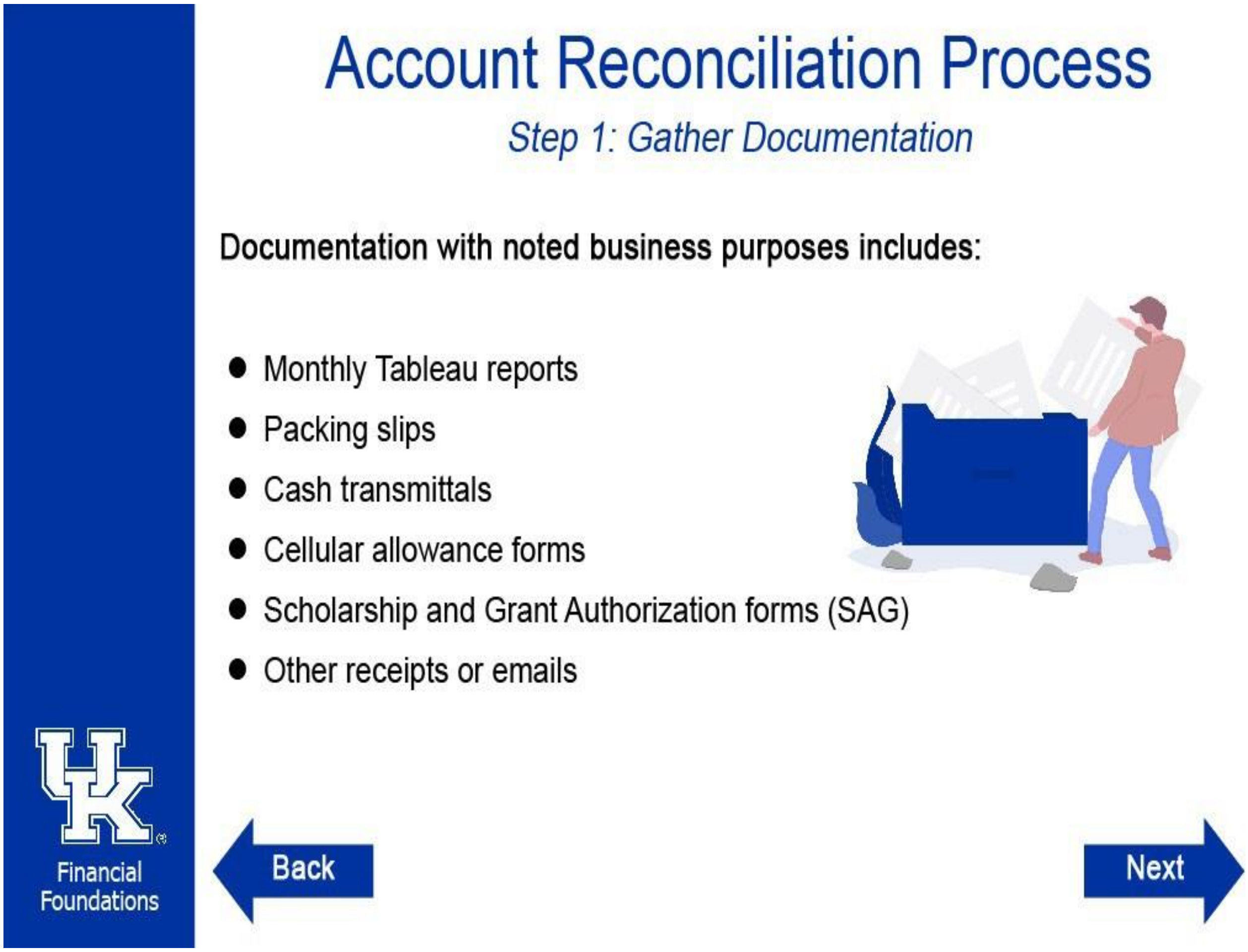
While we will review detailed information for each step throughout the rest of this training, this flow chart provides a high-level overview of the necessary steps for completing a thorough account reconciliation from start to finish. It's helpful to begin the process by getting organized.

This means ensuring you have the necessary supplemental documentation from throughout the month before generating your reports.

You will then verify balances, compare documentation and check labor distribution reports, followed by clearing any discrepancies and attaching required documentation.

Finally, you will confirm budget availability and then the account reconciliation is certified, or signed, by the reconciler, with an approval signature by their supervisor. The reconciler's signature certifies the validity of all charges, and the supervisor's signature certifies that a review of all documentation has been completed.

Account Reconciliation Step 1 Gather Documentation



Slide notes

Let's take a closer look at the account reconciliation process starting with step one: gather documentation.

Receipts and supporting documents are essential to the reconciliation process.

Records that are not approved through the SAP workflow, should be collected and retained throughout the month to ensure an easier reconciliation process when the month-end close occurs.

Documents with noted business purpose that should be collected include:

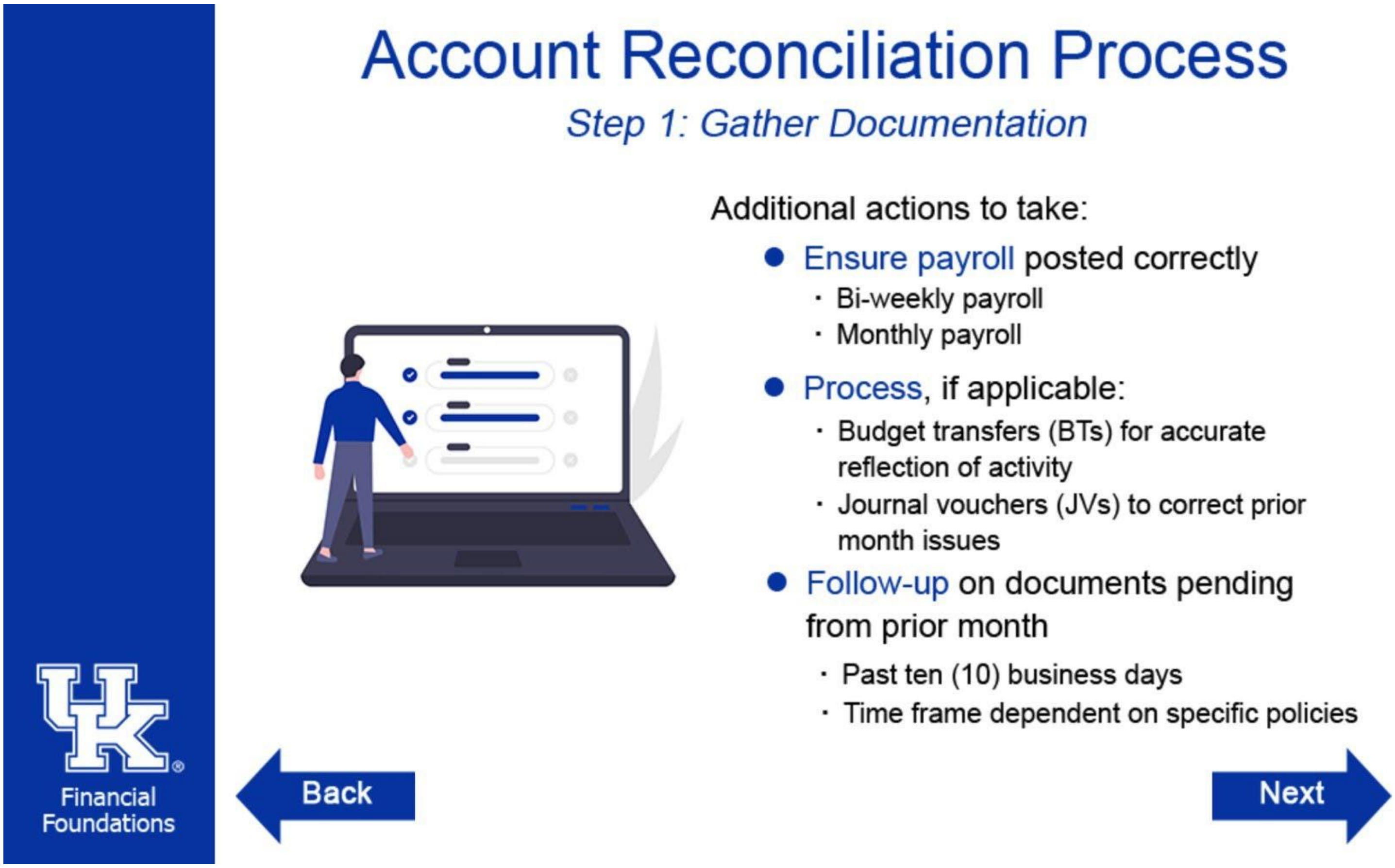
- Monthly Concur and Tableau reports,

- Packing slips, Student payment vouchers
- Cash transmittals, Cellular allowance forms
- Scholarship and Grant Authorization forms and other receipts

These items can be scanned and stored electronically for reconciliation purposes, or they can be paper copies. Either way they should be easily retrievable, collected, and stored in a consistent manner.

Keep in mind, all these items may not actually clear the funds center in the month you collect them. Therefore, your file of receipts will continue to ebb and flow as items are cleared and should be attached to each month’s reconciliation.

Account Reconciliation Step 1 Gather Documentation Additional Action



Slide notes

In addition to gathering pertinent documentation, reconcilers should also ensure both biweekly and monthly payroll postings are correct for all personnel. This confirms that accounts are charged appropriately and if discrepancies are found, they can be corrected quickly.

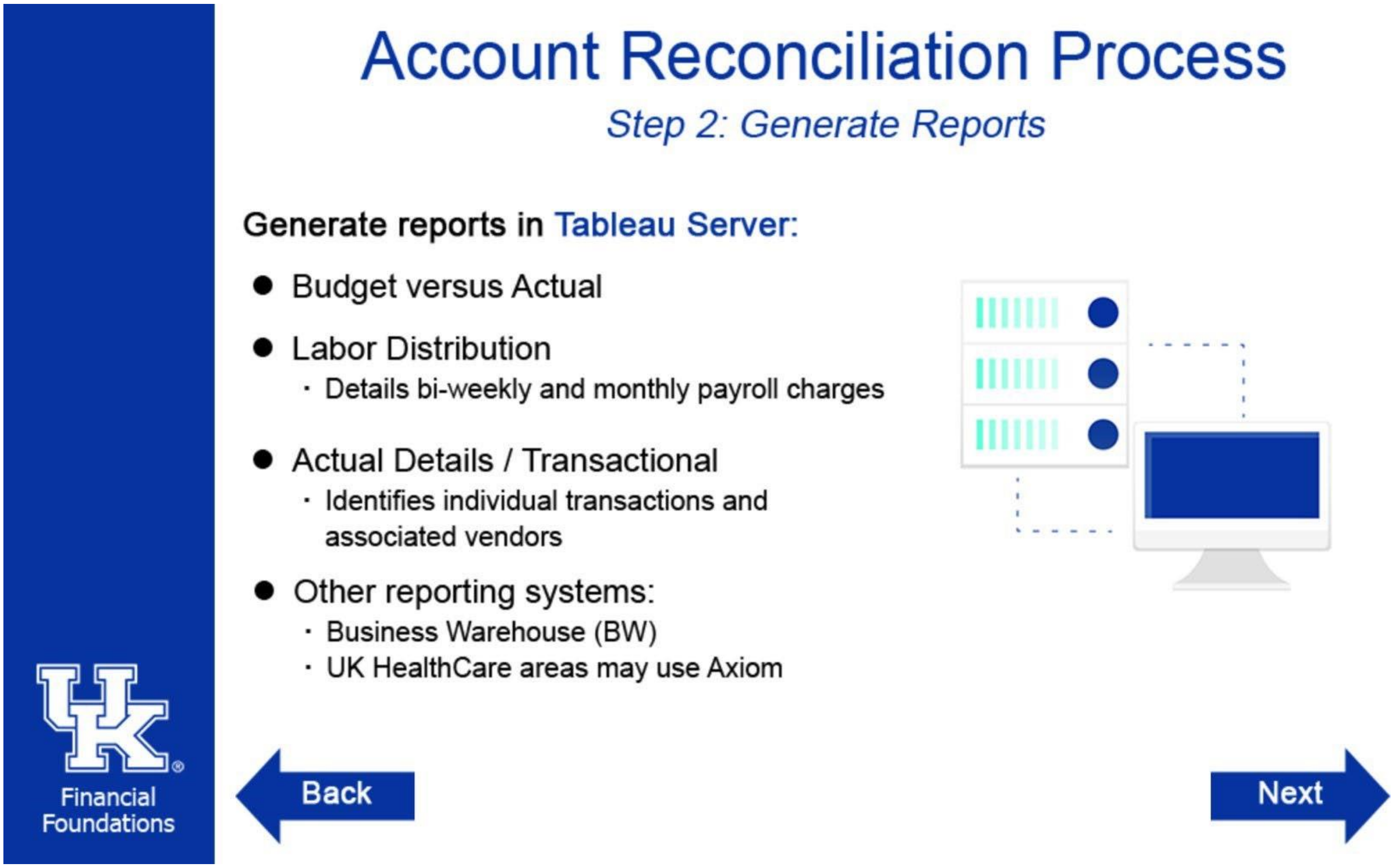
During the month, you may find that some accounts will need budget transfers either in or out of the funds center or among commitment items. Doing these transfers provides an accurate reflection of cost center activity. It also provides leadership with a better reflection of actual balances and planned activity.
Units should reference their internal administrative procedures in requesting and processing budget transactions.

If costs are incorrectly charged from the prior month, the next month is when Journal Vouchers, or JVs, should be processed to correct issues and move items to the appropriate cost object.

If there are items you expected to clear in the last month that didn't, you should follow up on each of those, whether the transaction is with another internal UK department or external vendor. This is particularly the case if it has been longer than ten business days.

Please be sure to note all business procedures for certain transactions, particularly on grants and contracts, as the time frame is dependent on complying with all policies.

Account Reconciliation Step 2 Generate Reports



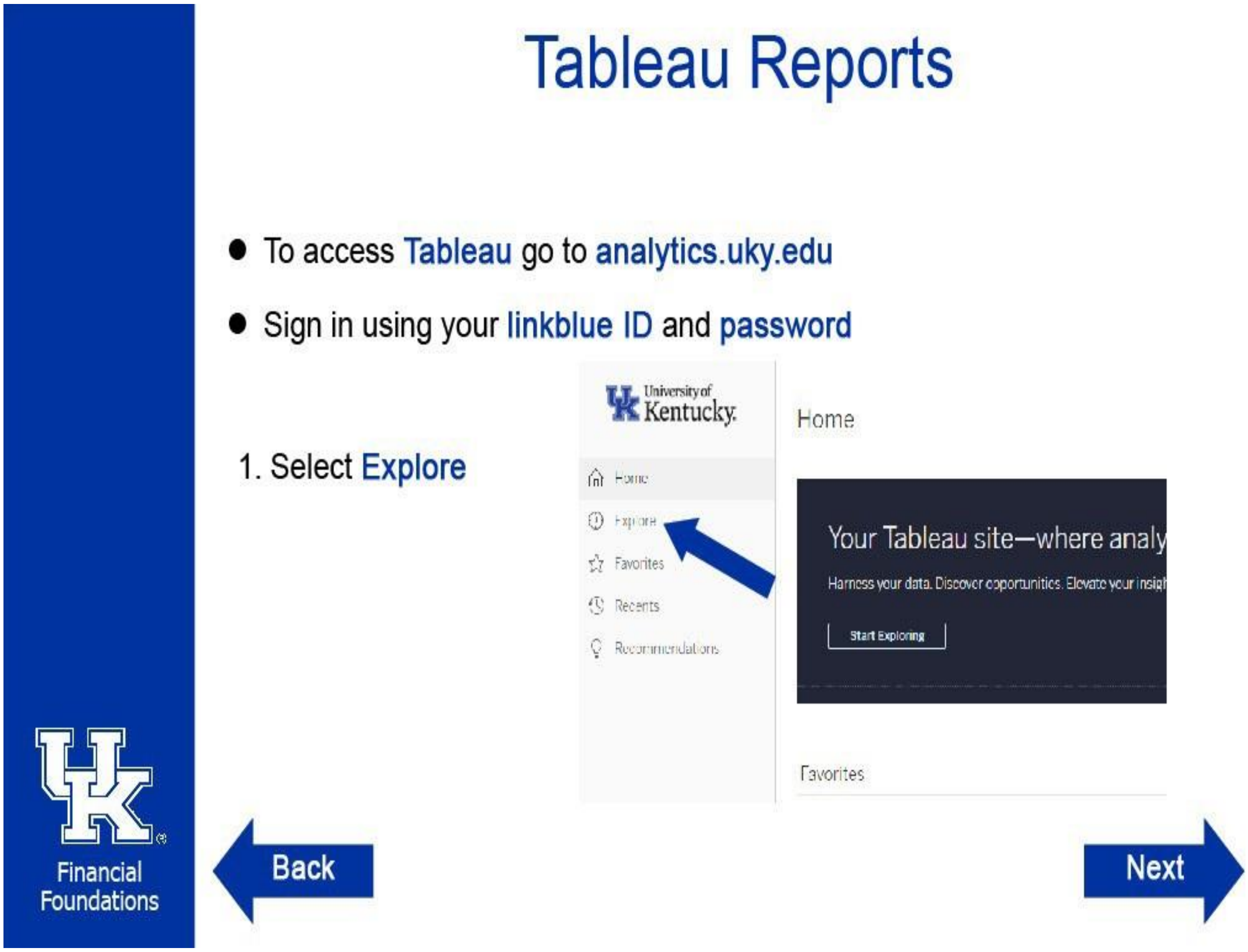
Slide notes

Now that all documentation has been gathered, let's discuss the second step of the account reconciliation process. As previously stated, month-end occurs no later than the third business day of the following month. At that time, using Tableau Server, reconcilers can generate a "Budget vs. Actual" report. Inside this report you will also be able to generate Labor Distribution reports, which detail both biweekly and monthly payroll charges, and the Actual Details or Transactional report which identifies the individual transactions and the associated vendors.

Please note, Business Warehouse or BW can also be used to generate reports. However, this product is in the process of being decommissioned in phases. The product will not be decommissioned until all the reports have been converted to Tableau. Because of that, our focus in this training is Tableau.

UK HealthCare areas may generate reports using Axiom for purposes of their account reconciliation process.

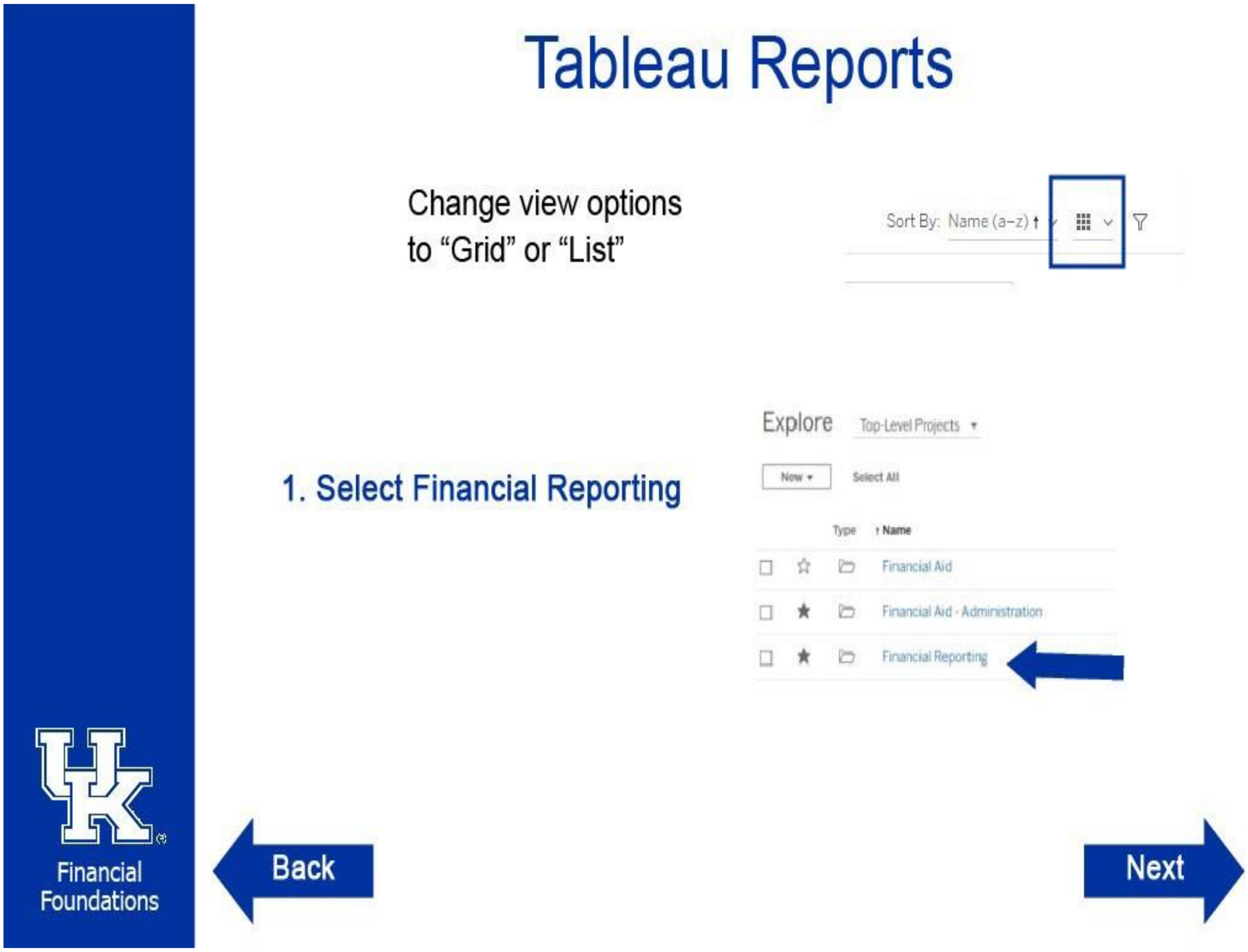
Tableau Reports



Slide notes

To log in to Tableau, go to analytics.uky.edu.

Once logged on to Tableau Server navigate to the left corner of your screen and select “Explore”.

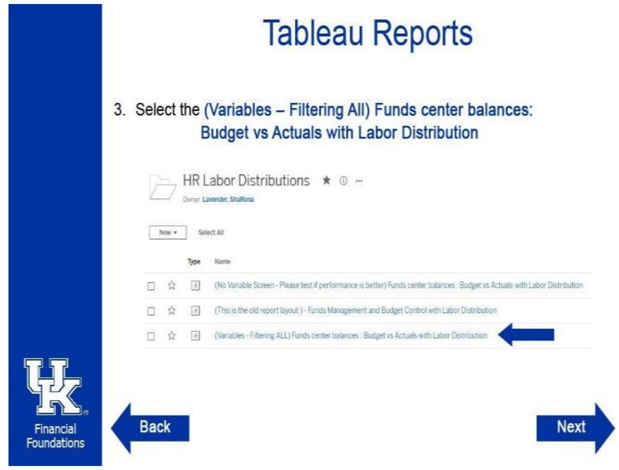


Slide notes

At the top right of your Tableau screen, you can set your view options to “Grid” or “List.” The following screens are shown using the “List” view.

The centralized financial reports are now located in the Financial Reporting project folder under the HR Labor Distribution sub-folder.

Tableau Reports



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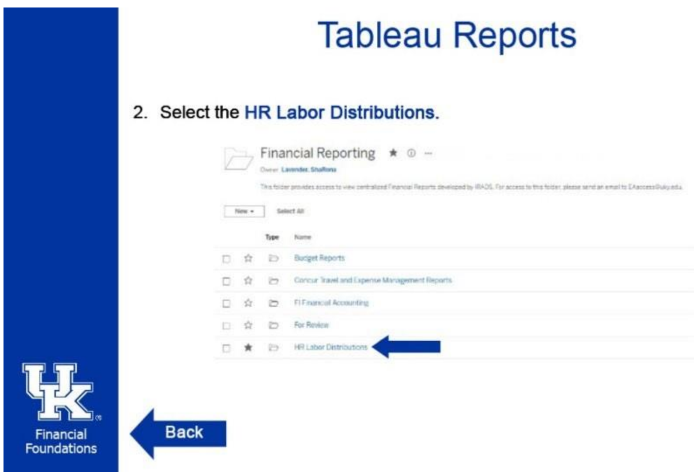

Slide notes

Next, select “HR Labor Distributions”.

As we continue through the reports, be aware that you can save any of the reports by clicking on the star icon.

Then select Variables; Filtering All Funds center balances.

Please note, as we are transitioning to Tableau reports there are other reports available with the same data, but with different layouts.

This report does not have a variable screen. The user will make their selection directly from the Budget vs Actuals report.

Tableau Reports

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Tableau Reports

Slide notes

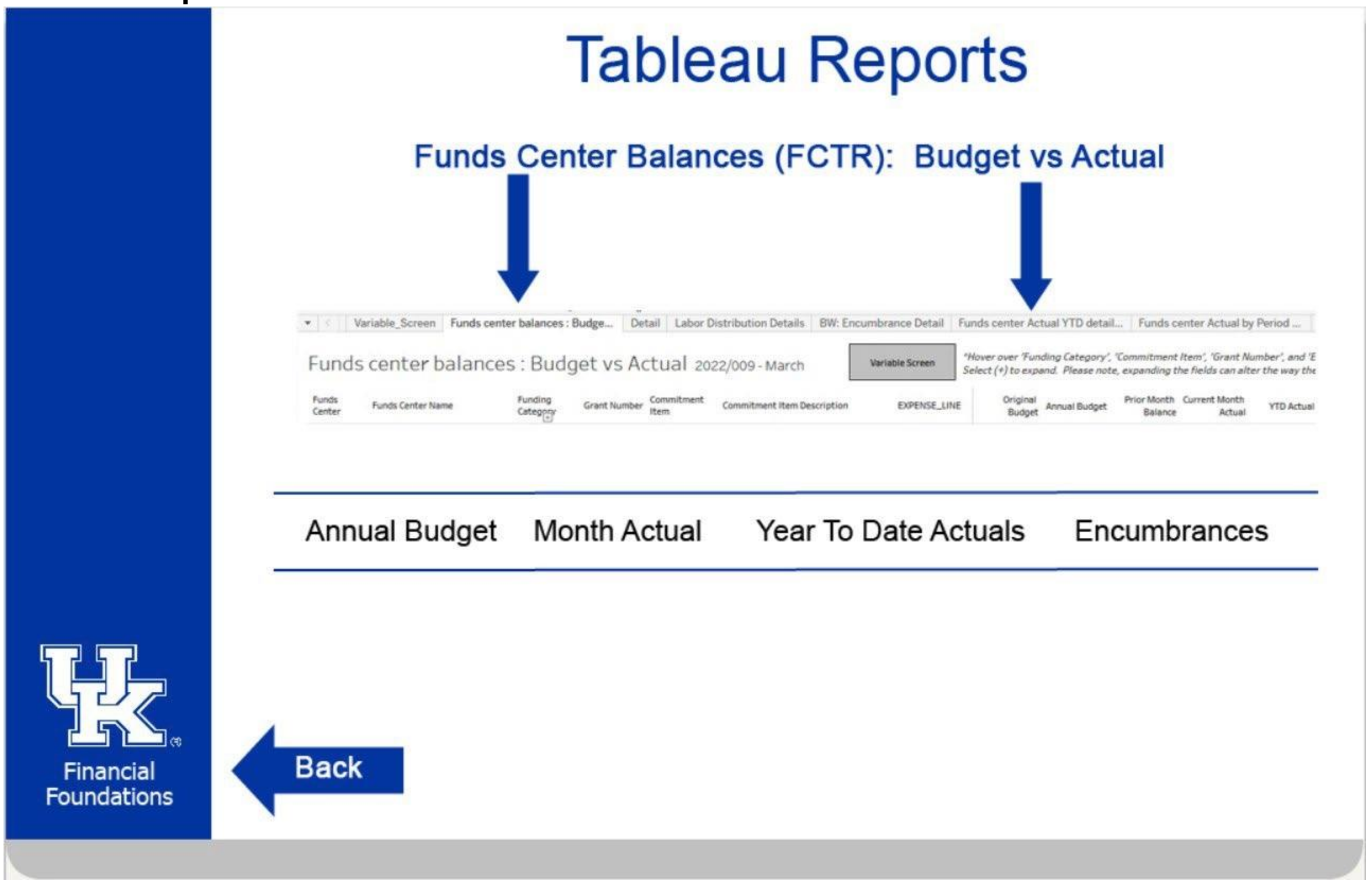
Next, select the “Variable Screen” tab to enter the variables to limit the report to the Departments or Accounts you need to use.

Select your desired variables by picking from the dropdown filters. Please note when selecting the fiscal year, it will be listed as the end year. For example, the 2021 2022 fiscal year would be entered as 2022.

To ensure all active funds centers appear when running a report, it is considered a best practice to use the Department filter

Once the filters are set, select the green “Execute” button.

Tableau Reports



Slide notes

The first report to review is the “Funds Center Balances, or FCTR Budget vs Actual”.

This report is used to review your current Annual Budget.

Current Month Actual, Year To Date Actuals, and Encumbrances on the accounts.

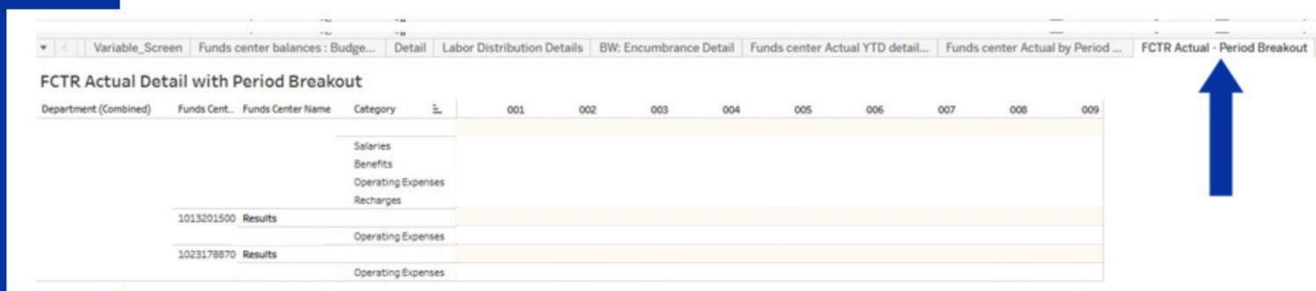
Select an amount or fund center to view details.

Tableau

Tableau Reports

Funds Center Tableau Report (FCTR) - Actual Detail by Period

Periodic trends



Financial Foundations

Back

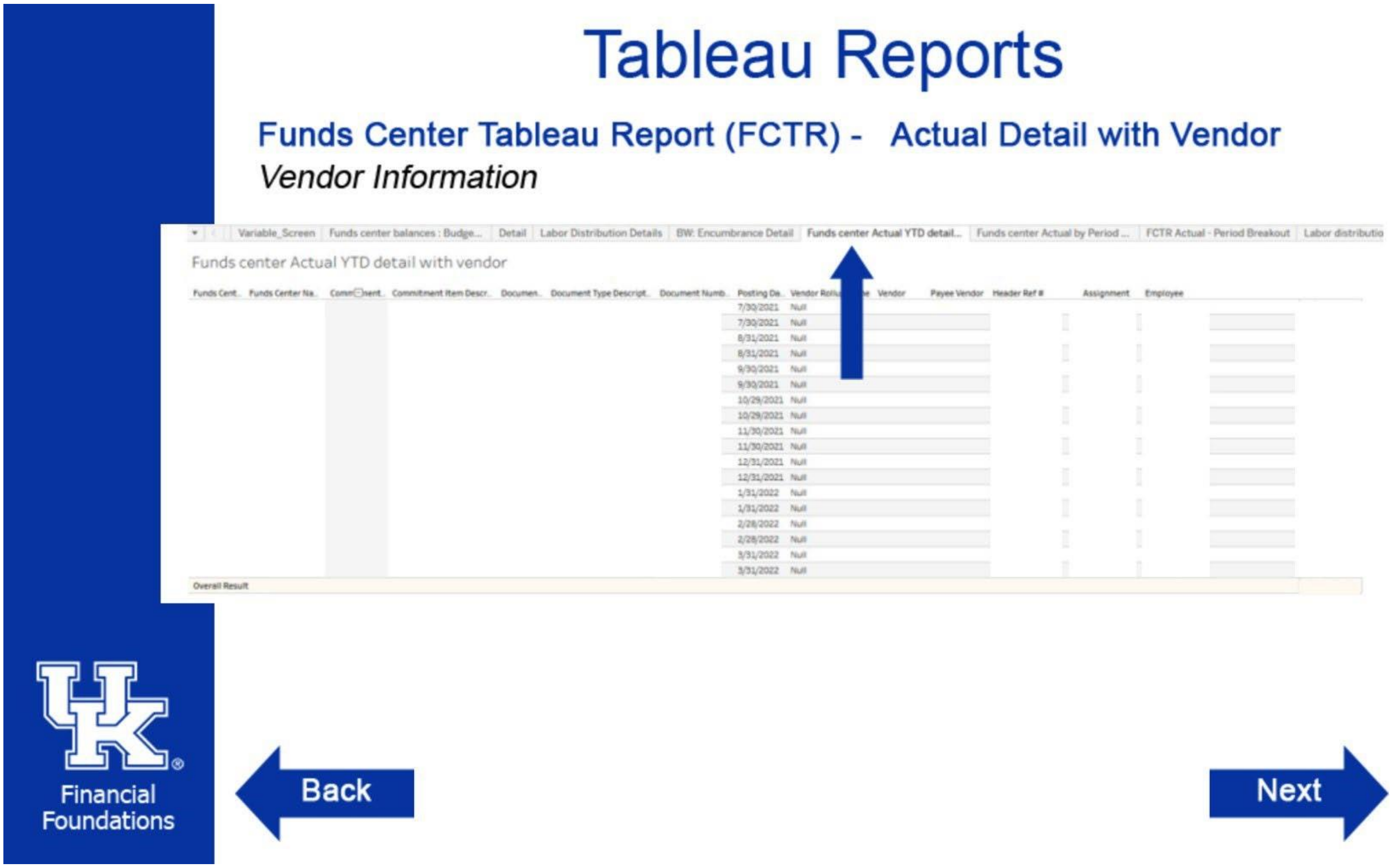
Next

Slide notes

To show the trends from one period to the next, click on the “FCTR Actual - Period breakout” tab.

You can click on any dollar amount to view transactional details.

Tableau

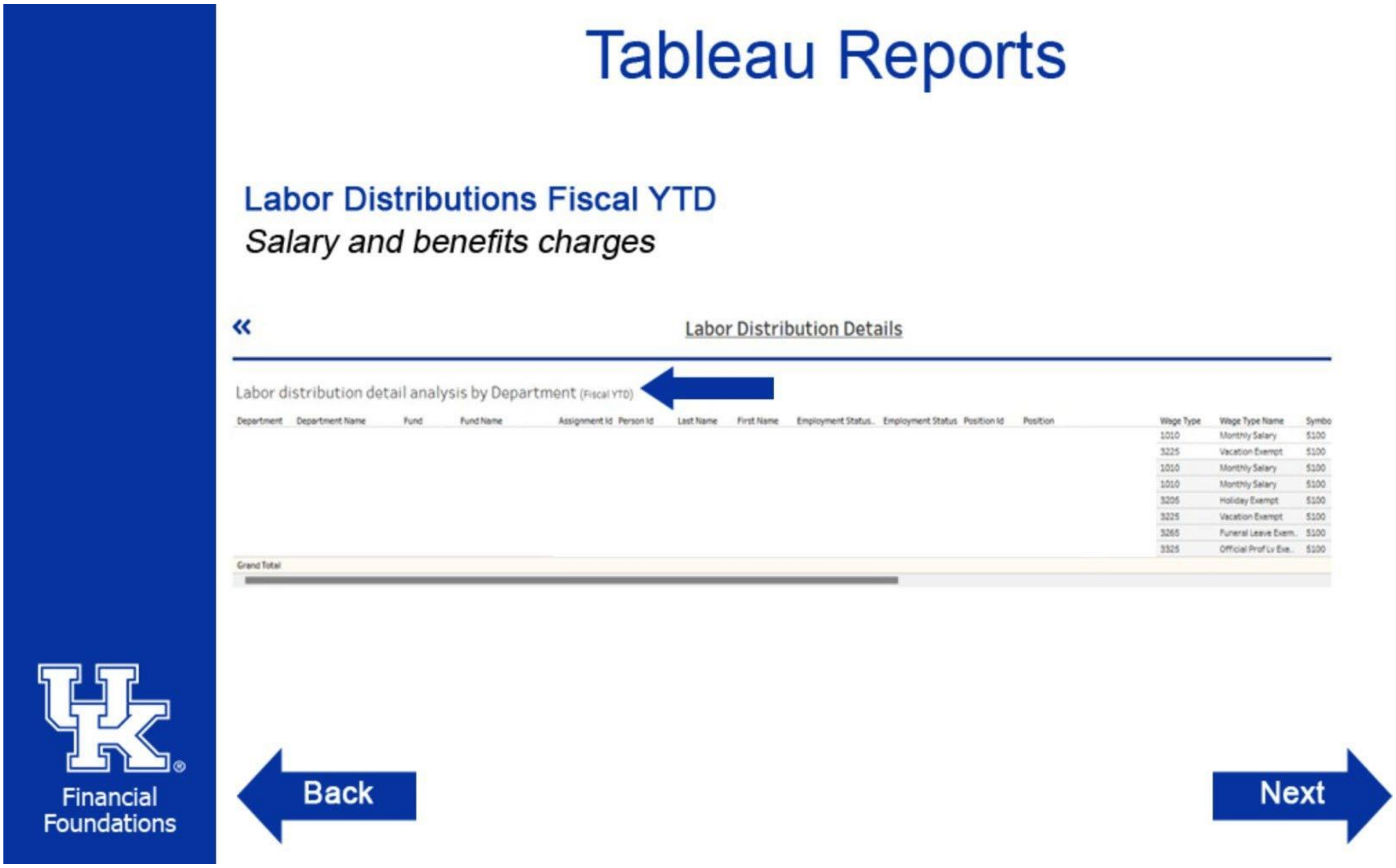


Slide notes

Selecting the “FCTR Actual YTD detail with vendor” tab provides a view of each individual line item posted to the accounts within the defined variables selected from the Start Page.

Tableau Reports

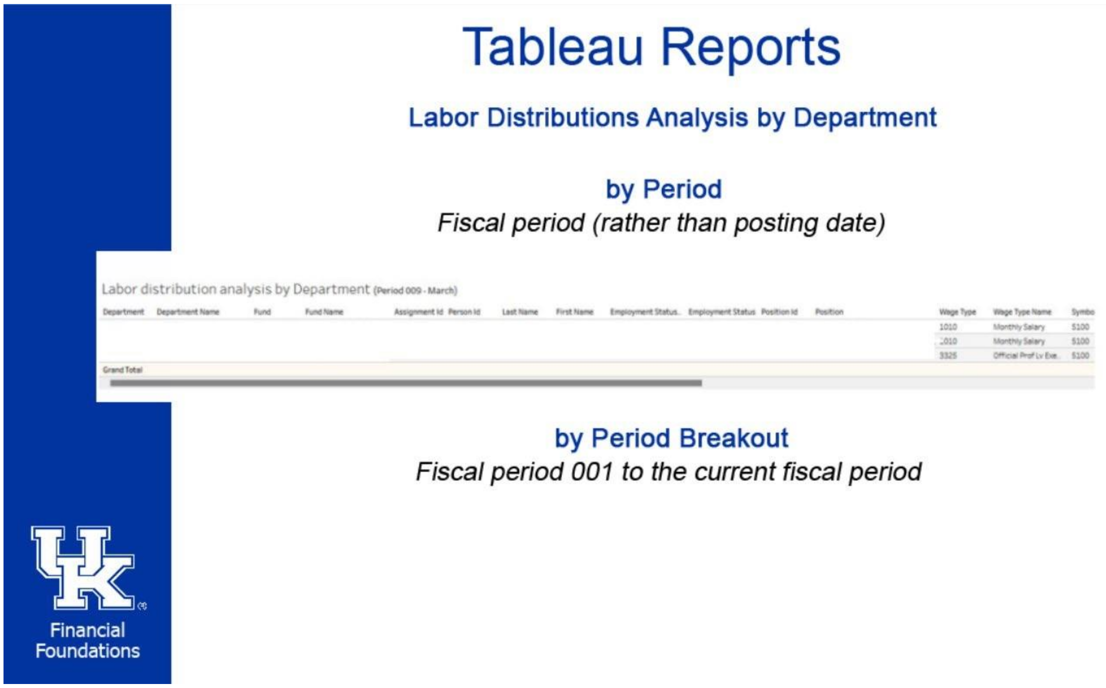
The information on this report includes detailed vendor information for purchases for relevant General Ledgers.



Slide notes

Tableau Reports

Selecting the “Labor Distributions Details” tab displays the details needed to ensure the hours and payroll charging to a funds center or department is appropriate.

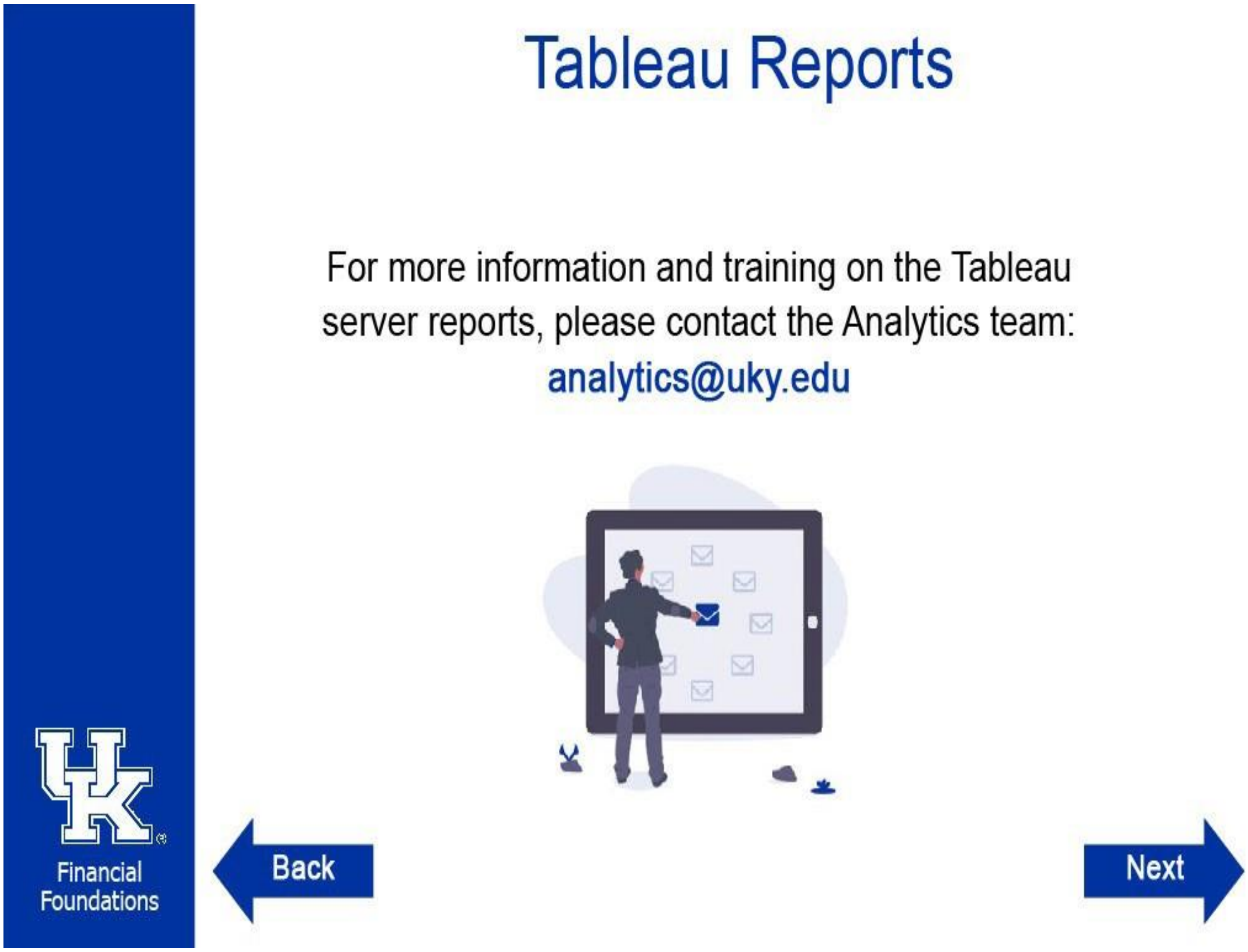


Slide notes

The “Labor Distribution Analysis by Department by Period” report provides similar information by fiscal period rather than posting date.

The “Labor Distribution Analysis by Department by Period Breakout” report breaks out the labor details from fiscal period 001 to the current fiscal period.

Tableau Reports

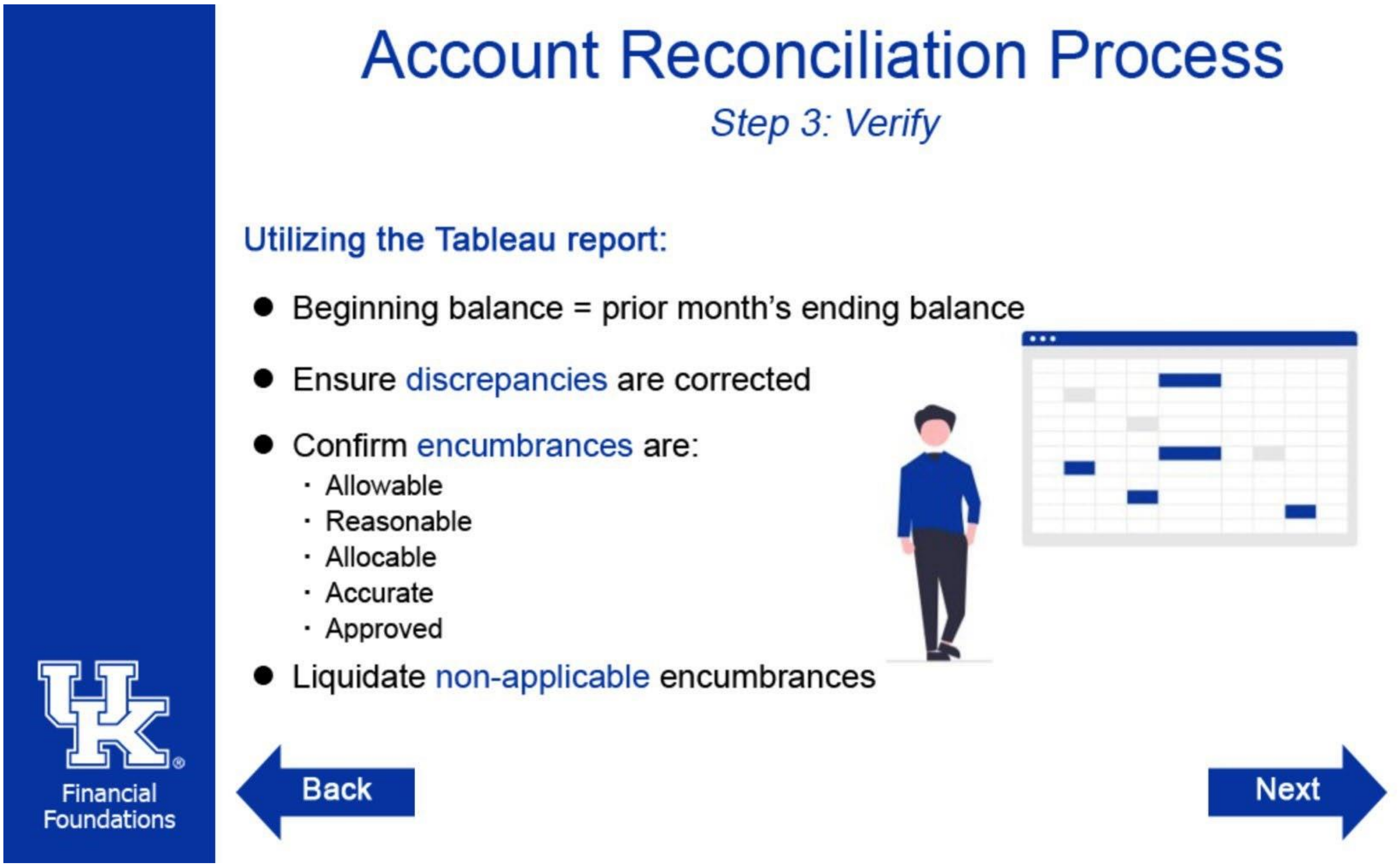


Slide notes

Tableau Reports

For more information on Tableau server reports, including training, please contact the UK Analytics team.

Account Reconciliation Step 3 Verify



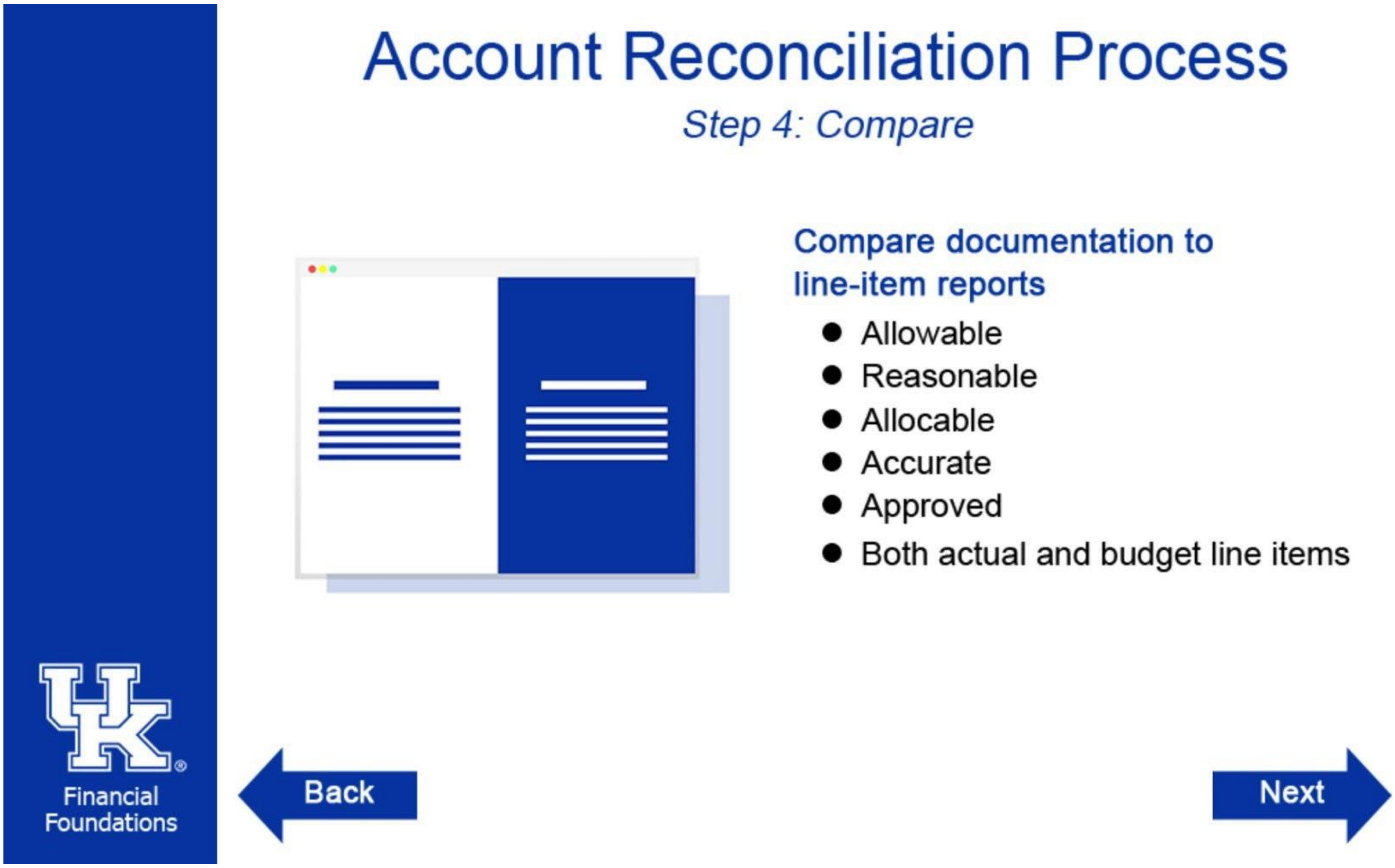
Slide notes

Now, it's time to move on to step three of the account reconciliation process, verify. Utilizing the report generated from Tableau:

- Verify the current month's beginning balance agrees with the prior month's ending balance
- Ensure any prior month's discrepancies have been corrected
- Review encumbrances for the cost object to ensure, they are all allowable, reasonable, allocable, accurate, and approved
- Liquidate any old or no longer applicable encumbrances with the appropriate support unit.

For example, Let's say a purchase order was setup in the prior fiscal year for some work being done and only 90 percent of the initial estimate was needed to complete the work. The business officer or delegate should work with the Procurement Services representative on the procurement order to liquidate the remaining 10 percent that will not be invoiced.

Account Reconciliation Step 4 Compare



Slide notes

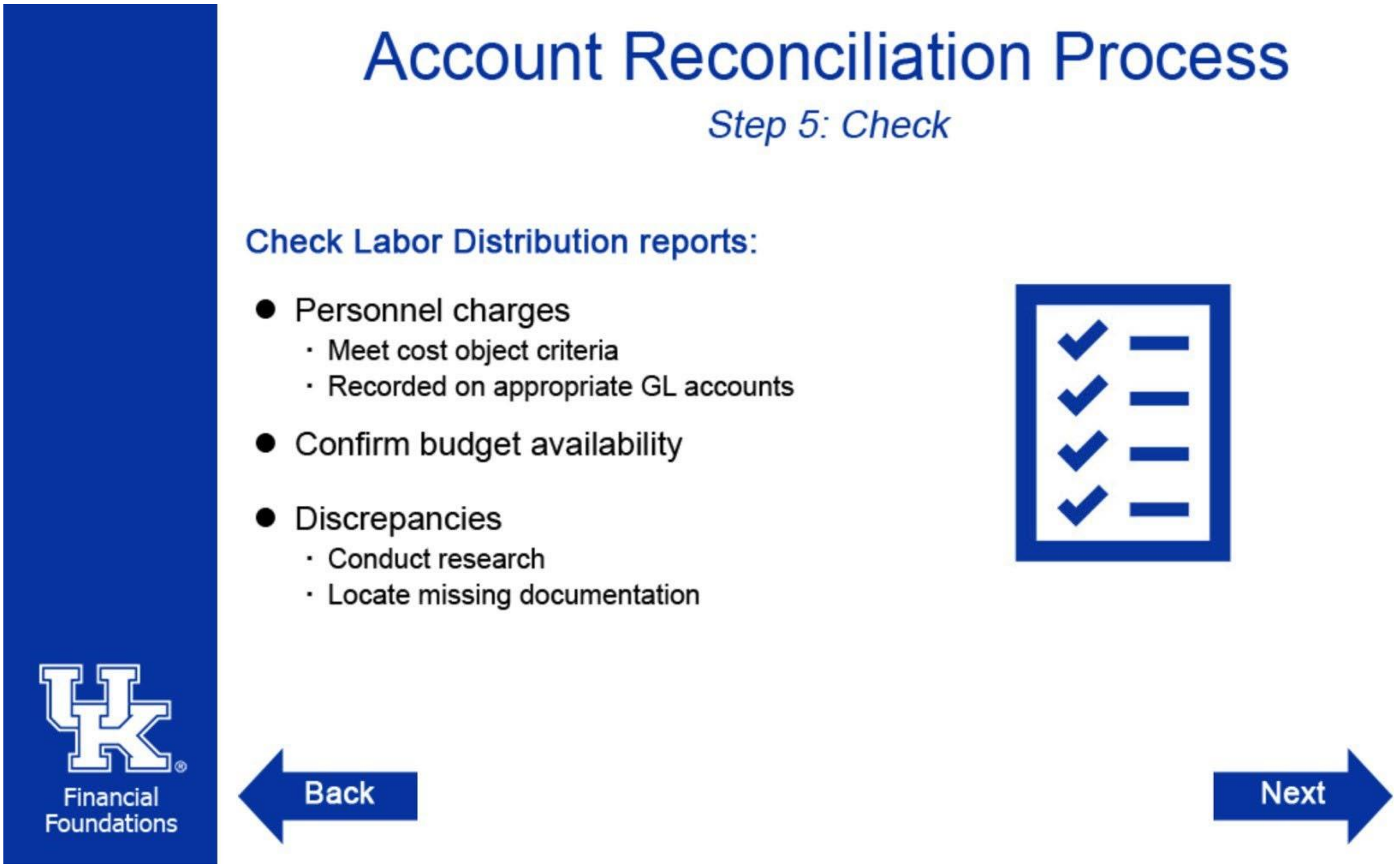
In step 4, compare, supporting documentation should be compared to the system generated line-item reports, again ensuring all transactions are allowable, reasonable, allocable, accurate and approved for the cost object.

The reconciler should match each line of the document with the corresponding physical document, electronic record, or payroll report.

Review both actual line items and budget line items during the reconciliation process.

For example, budget transfers and revisions.

Account Reconciliation Step 5 Check



Slide notes

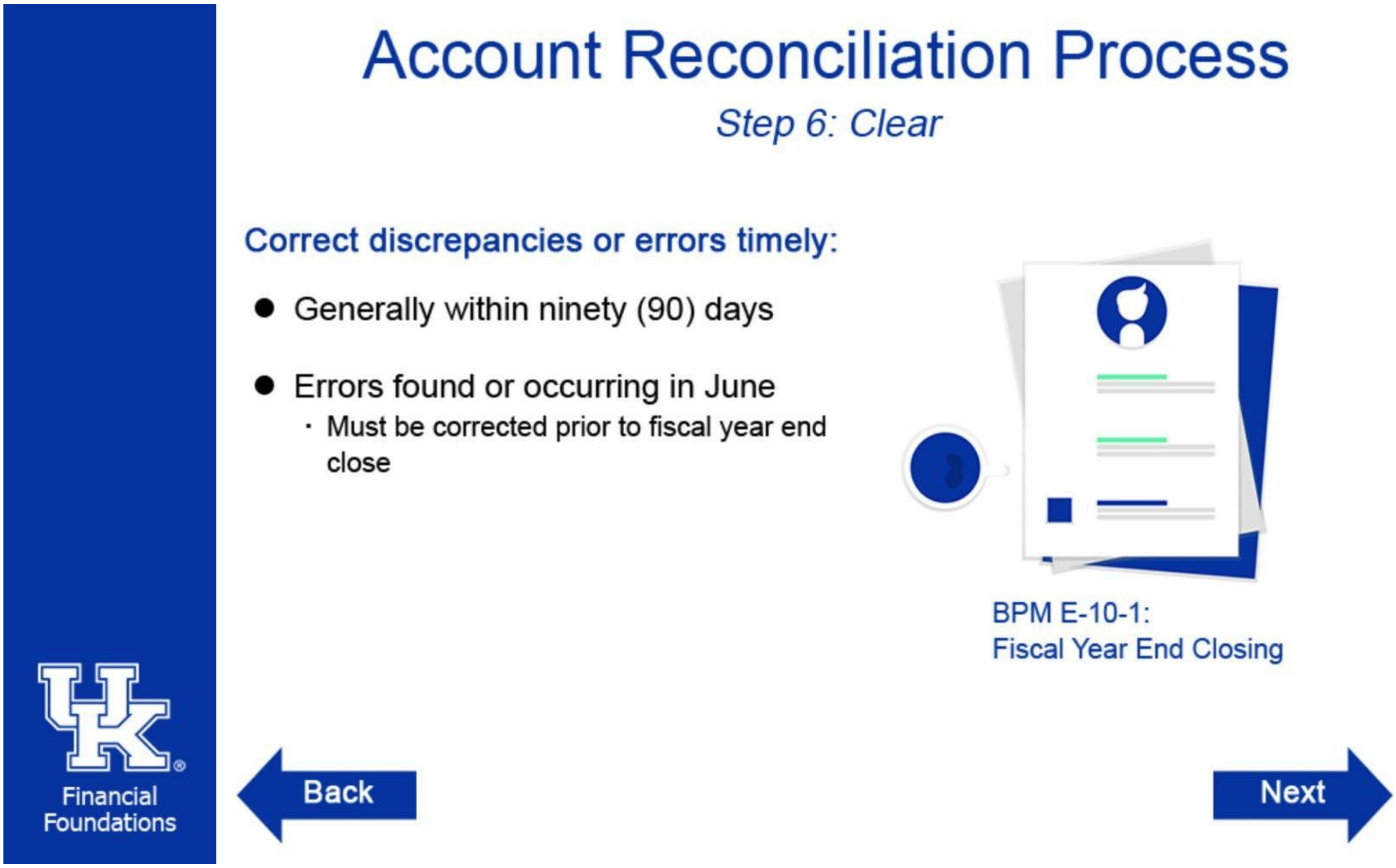
Step five is to check the reports and documentation.

Check labor distribution reports to ensure all personnel charges meet the criteria for charging to the cost object and are recorded on the appropriate GL accounts against their budget.

Confirm the budget availability in the summary ledger reports to ensure funds exist to cover all line items posted and to ensure cost objects are not overspent.

As you are performing this step, you may uncover discrepancies which need to be researched.

Account Reconciliation Step 6 Clear Errors



Slide notes

Account reconciliation is not only to identify erroneous entries but also to correct, or clear them, which is the next step in the process.

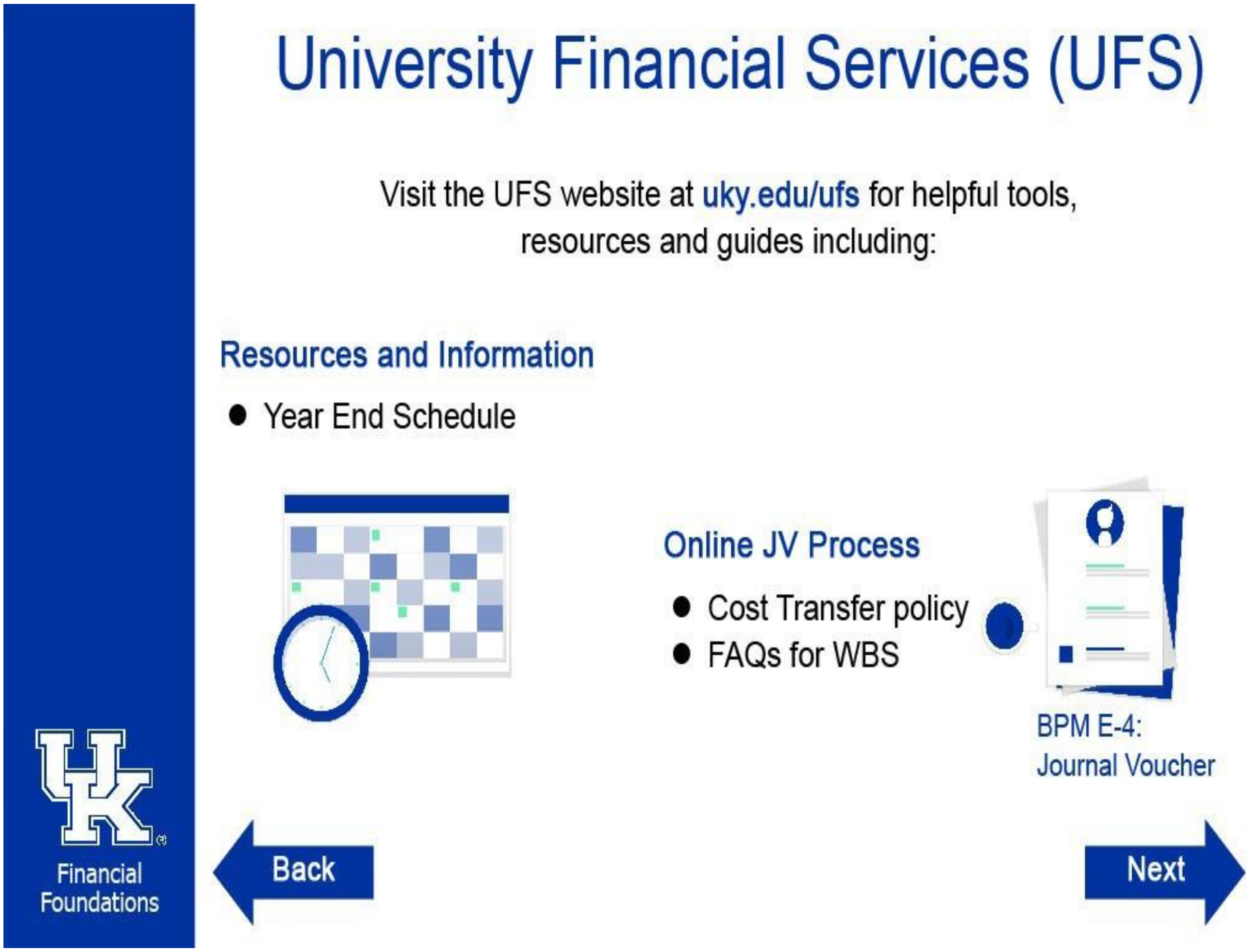
Before we discuss the process of clearing errors, let's review some basic information.

Problems found during reconciliation need to be corrected as soon as possible. The deadline to correct discrepancies is generally within ninety days.

However, if discrepancies are found or occur in June, they must be corrected in fiscal year posting period thirteen.

Detailed information on this process can be found in Business Procedures Manual E-10-1.

University Financial Services



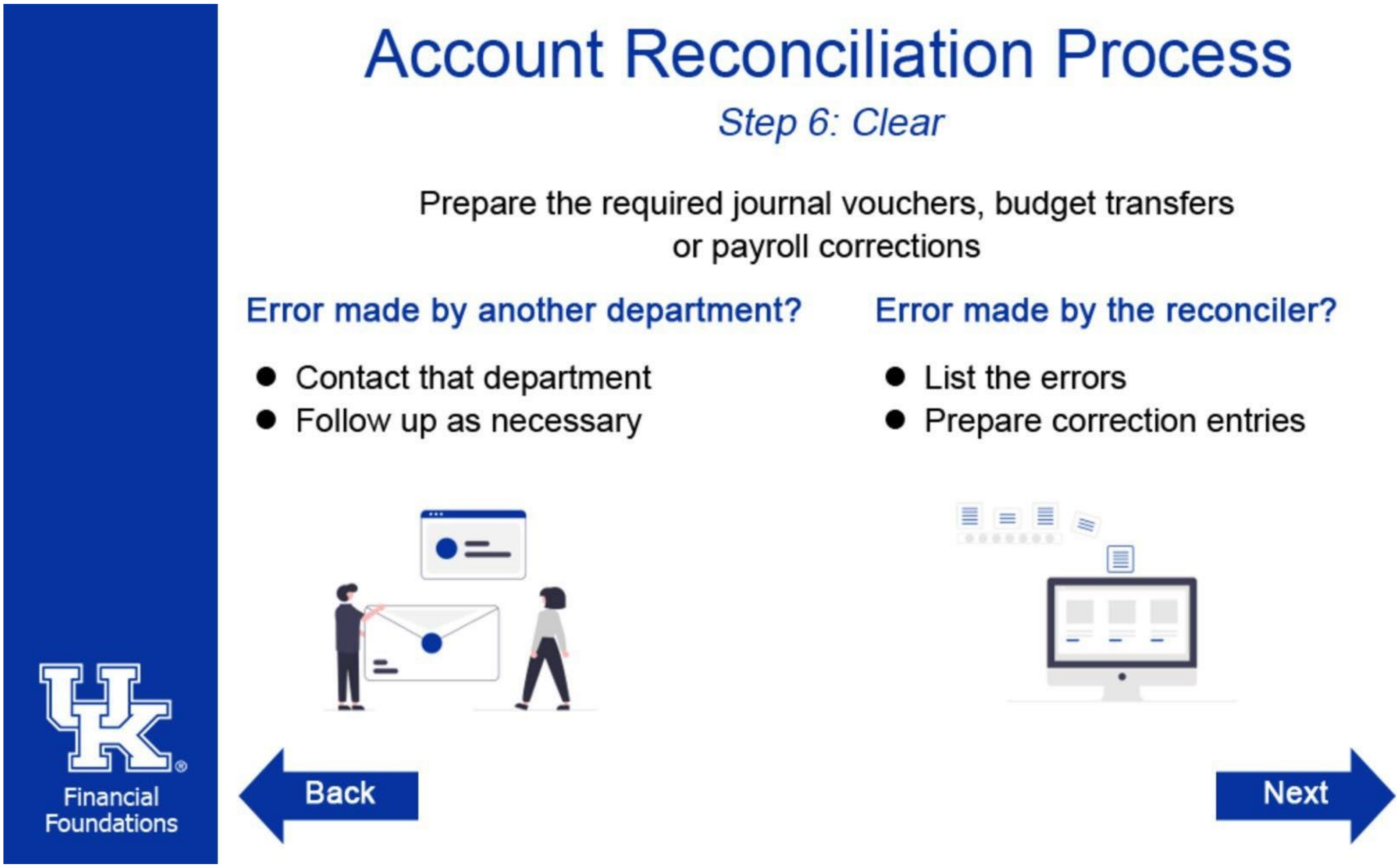
Slide notes

The dates for journal voucher and budget transfer corrections for fiscal year end closing is updated annually and can be found on the University Financial Services, or UFS, website.

On the UFS website, you will find more resources including the Cost Transfer policy and business edit frequently asked questions for WBS.

Information about Journal Vouchers, or JVs, can also be found on the UFS website or in the BPM E-4.

Account Reconciliation Step 6 Clear Corrections



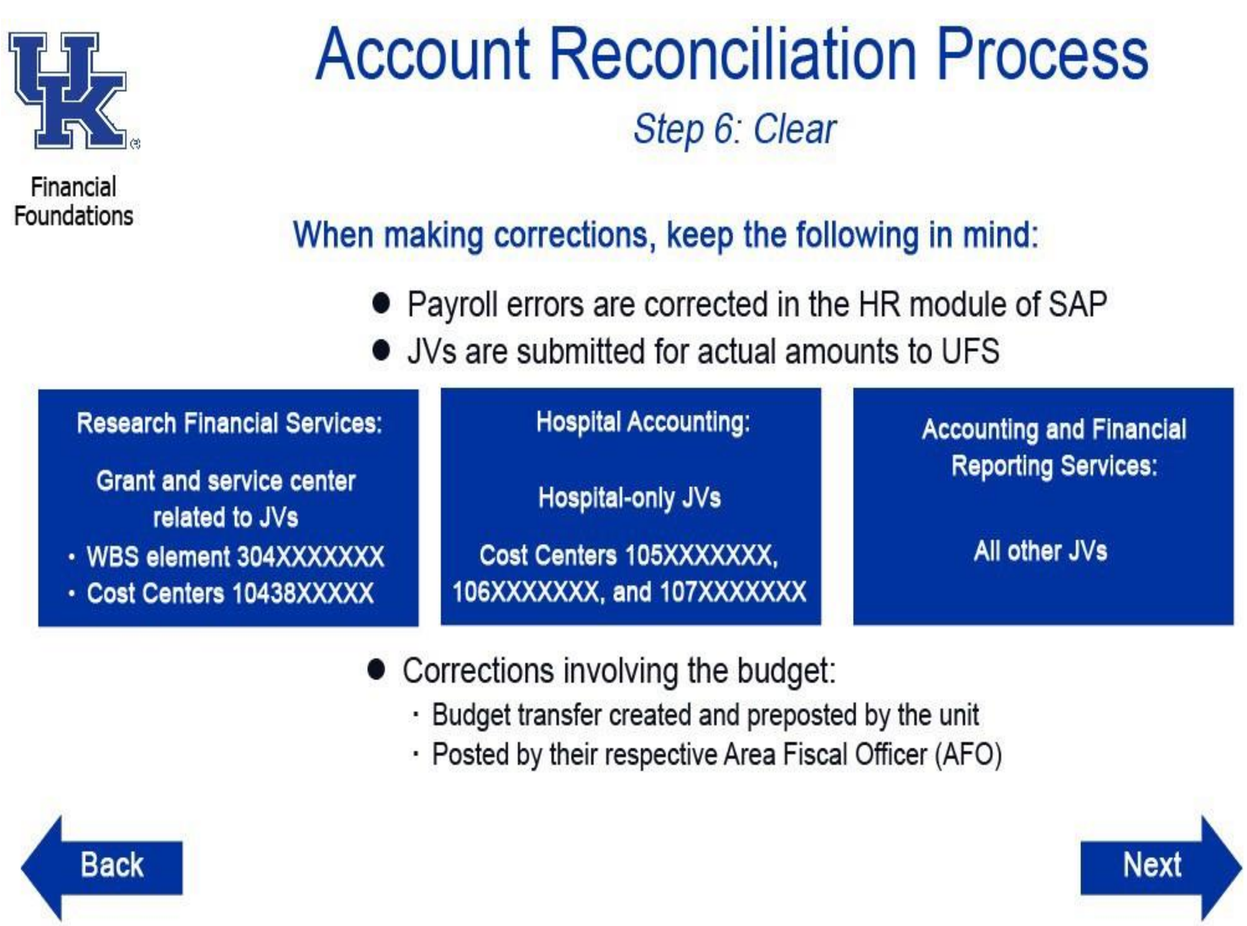
Slide notes

Clearing discrepancies is done by making the required Journal Voucher, budget transfer or payroll corrections immediately.

If the discrepancies are caused by entries made by someone outside your department, please contact the appropriate office or individual to have the correction made as soon as possible, and always follow up if there are no immediate actions after the initial contact.

If the reconciler identifies the discrepancy is caused by their own error, the reconciler should list the errors to present to the approver and prepare the correction entries.

Account Reconciliation Step 6 Clear Remember



Slide notes

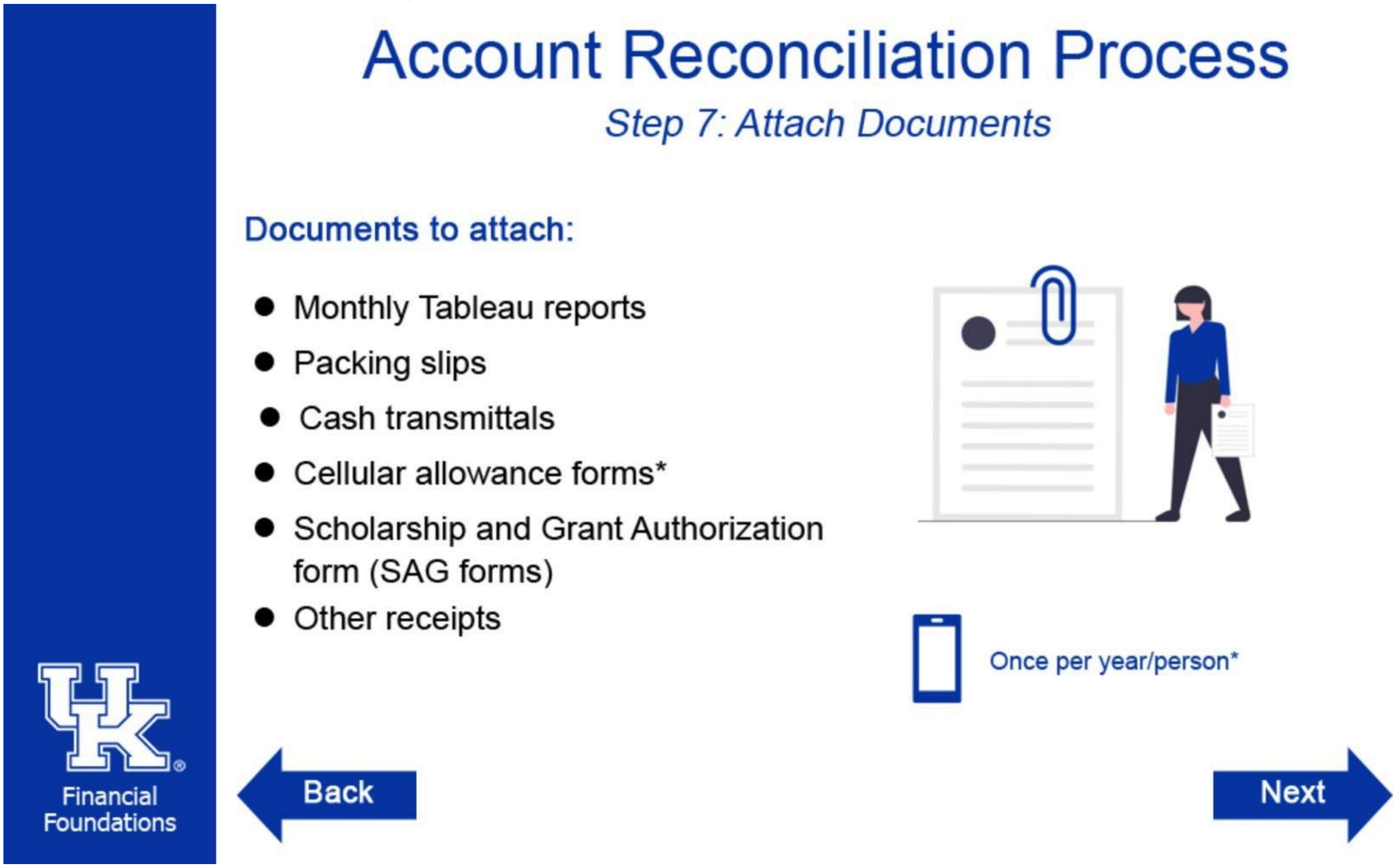
Payroll errors such as payroll distribution will need to be corrected through payroll posting in the HR module in SAP. For corrections to actual amounts, please submit a Journal Voucher to the appropriate department for posting through JV workflow.

Research Financial Services posts all grants WBS elements that start with 3, and service center related JVs cost centers that start with 10438

Hospital Accounting posts all hospital only JVs cost centers that start with 105, 106, and 107 and Accounting and Financial Reporting Services posts all other JVs.

Any corrections involved with the budget will need to be corrected by a budget transfer. The budget transfer needs to be created and pre-posted by the unit and then posted by their respective Area Fiscal Officer.

Account Reconciliation Step 7 Attach Documents



Slide notes

Once corrections have been made, the next step is to attach all supporting documentation to the file. As previously mentioned, it is not necessary to include documents that reside in SAP or Concur. For example, journal vouchers and their backup documentation, invoices, Payment Request Documents, travel and procurement card expense reports.

Documents that do need to be attached include monthly Tableau and Concur reports, packing Slips, Student payment vouchers, cash transmittals, Cellular allowance forms, scholarship and Grant Authorization forms, and other receipts.

Please note, because cellular allowance is a monthly recurring payment, cellular allowance forms can only be attached once, either at the beginning of the fiscal year or the first month in which the payment begins.

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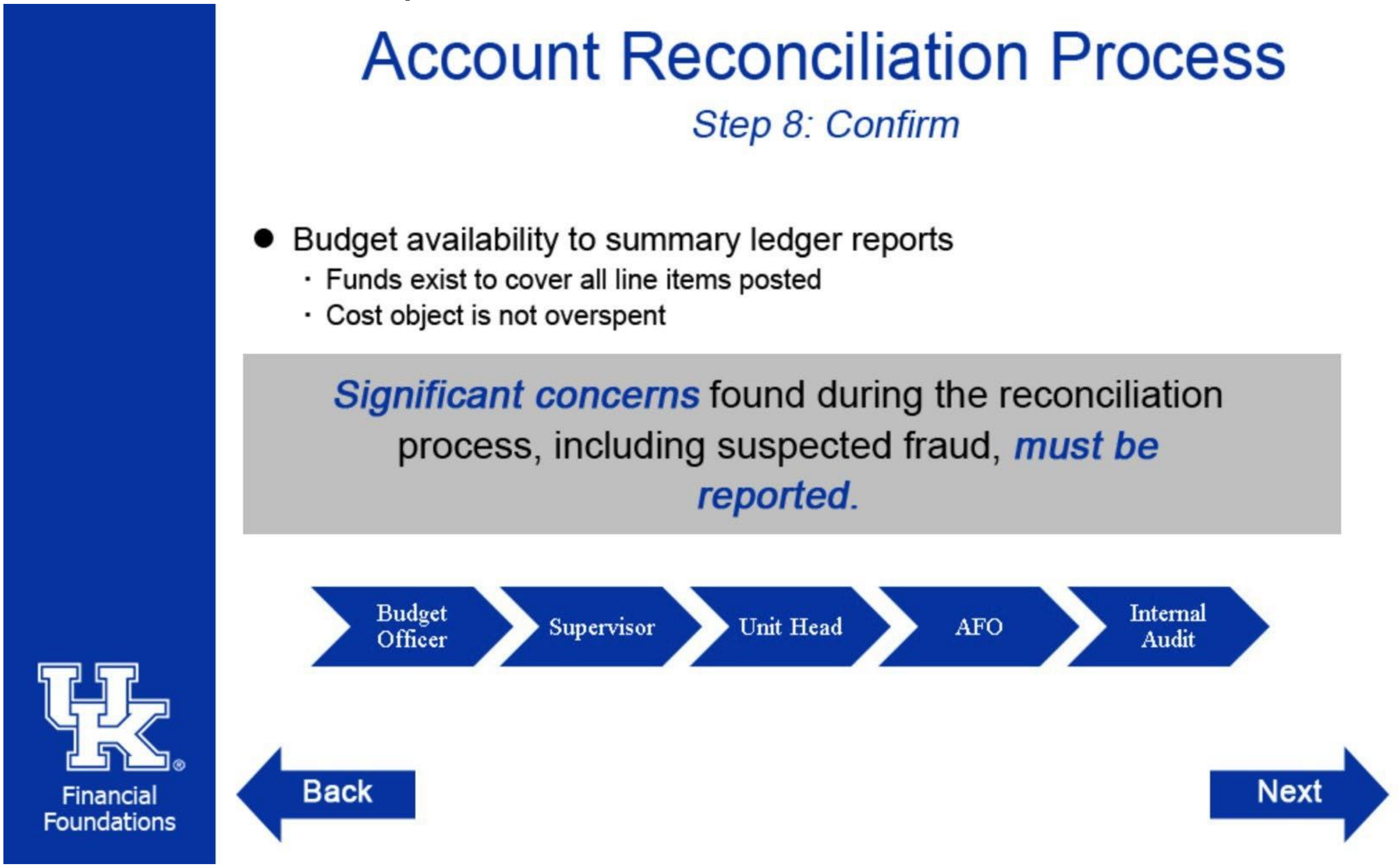
Account Reconciliation Step 8 Confirm



Slide notes

Once the supporting documentation is collected and attached, you are ready to confirm the budget availability to the summary ledger reports to ensure there is available budget to cover all line items posted and to ensure the cost center is not overspent.

If the actual expense exceeds the budget limit, please notify your budget officer, unit head or someone responsible for the budget to assist in resolving the budget issues as this may require a budget transfer to cover the insufficient funds or correct any mispostings.

If you have significant concerns regarding the transaction or suspect fraud in the reconciliation process, please contact your budget officer, supervisor, organizational unit head, AFO and or Internal Audit immediately.

The sooner you report the problem, the quicker it will get resolved. Remember, it is your responsibility to report the problem to the appropriate party at the university.

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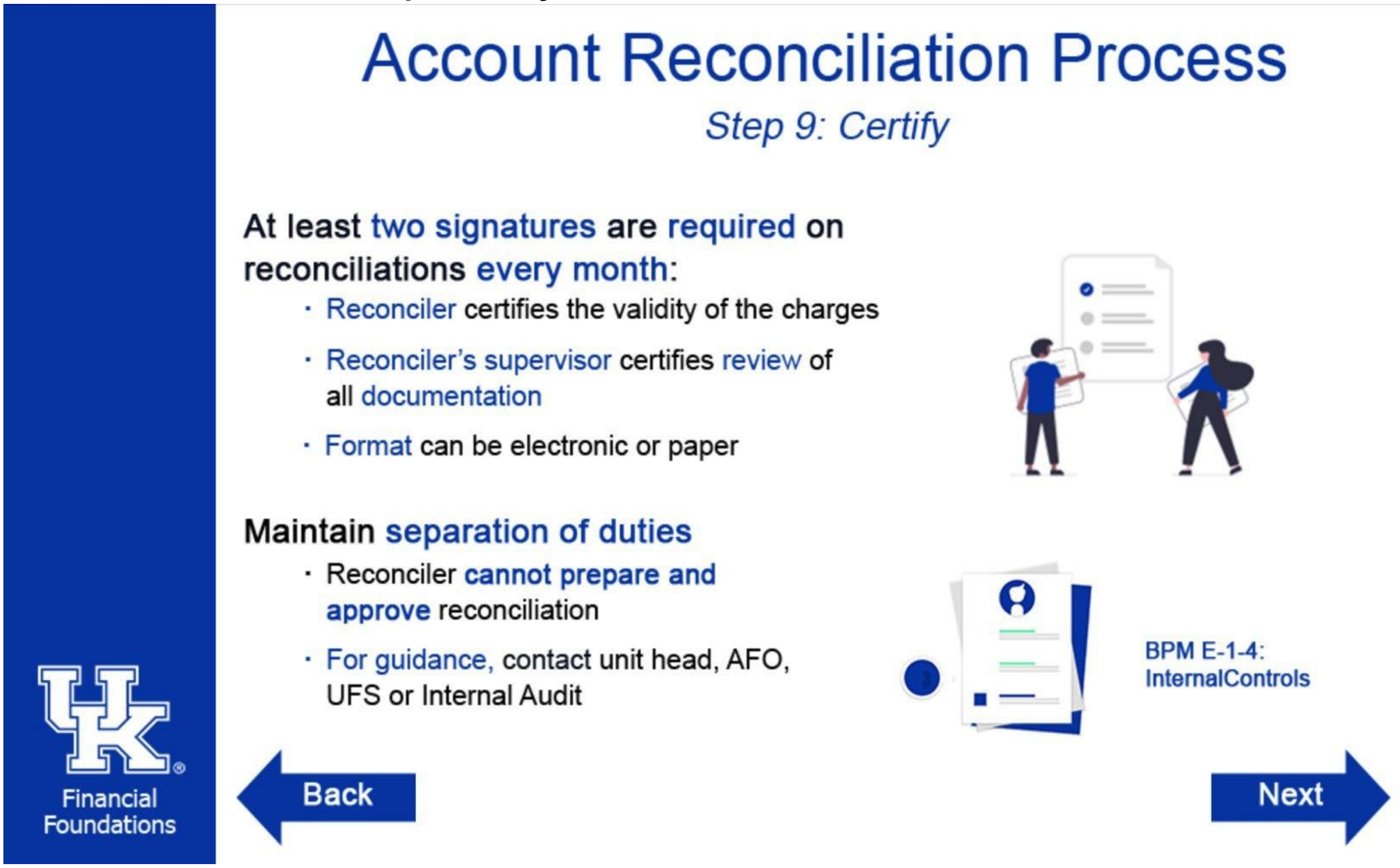
Account Reconciliation Step 9 Certify



Slide notes

The final step of the account reconciliation process is to certify the completeness and accuracy of the reconciliation. At least two signatures are required every month. The reconciler must sign and date, or certify, the validity of the transactions of the funds center. The supervisor must sign and date, or certify, a review and approval of the entire reconciliation, including all reports and supporting documentation.

As a reminder, the due date to complete the reconciliation is at the end of the subsequent month except for June. The account reconciliation can be signed and filed either electronically or in paper form. The important part of the reconciliation is to do it, timely and accurately.

The department must follow Business Procedures Manual E-1-4 to maintain appropriate separation of duties. The reconciler cannot prepare and approve the account reconciliation at the same time. In a small office where separation of duties is difficult, it is imperative that the supervisor review and approve all activities in the funds center.

If you have any questions or issues regarding separation of duties, please contact your unit head, AFO, UFS or Internal Audit for guidance.

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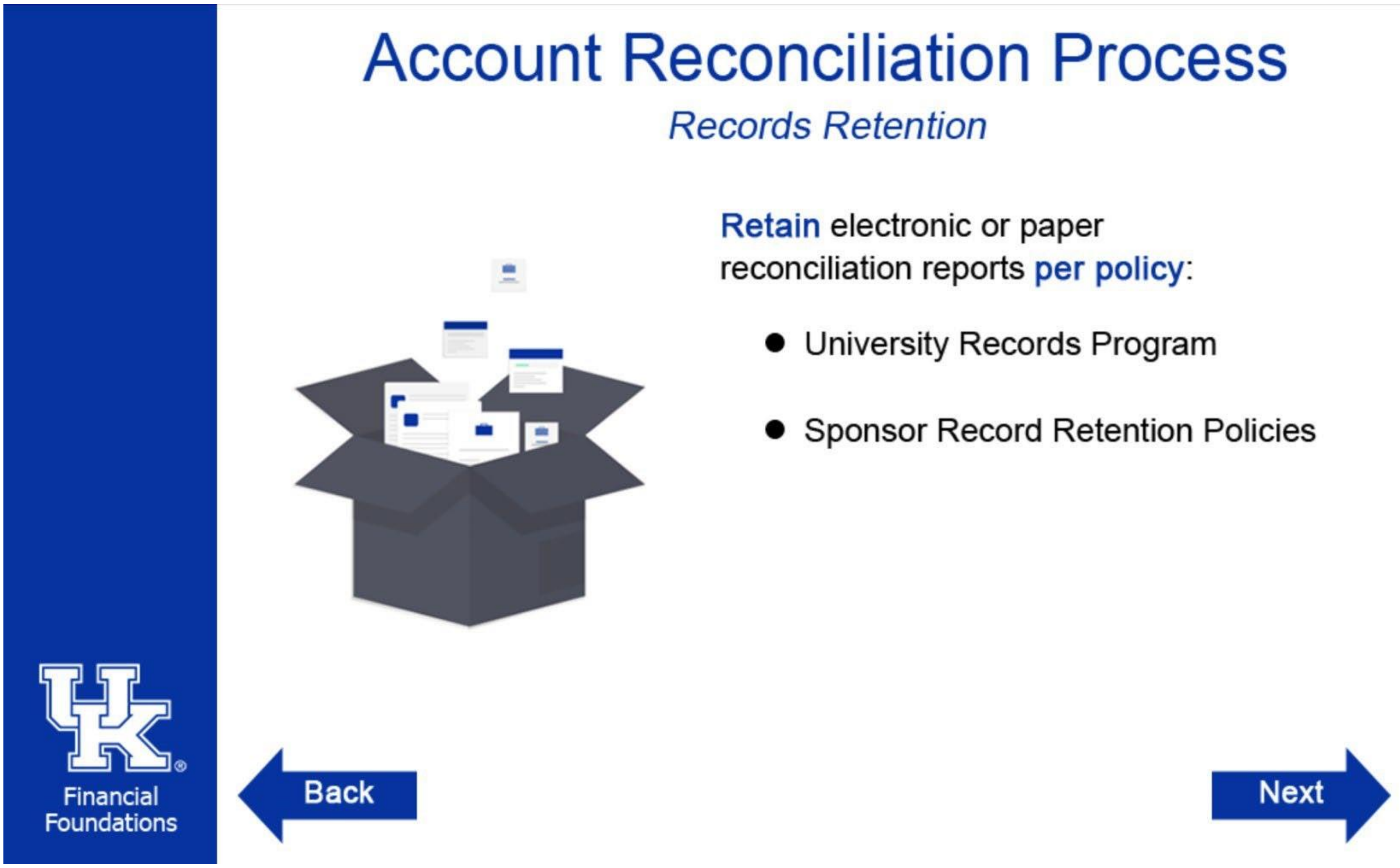
Account Reconciliation Records Retention



Slide notes

The paper or electronically filed reconciliation reports need to be kept per the University Records Program or Sponsor Record Retention Policies, whichever is longer.

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