Reconciliation Procedures

University Financial Services
Hand in Hand We Learn Session
June 22, 2017
Agenda

• General Information
  • Reconciliation – What, Why, Who?
• Per pay period reconciliations
• Monthly Transaction reviews
• Monthly Reports
• Discussion of alternative methods
• Questions
General Information
Reference Information

• All reference materials for the remainder of this presentation may be located at:

http://www.uky.edu/ufs/hand-hand-presentations
What is reconciliation?

• Reconciliation is a monthly review of transactions posted to a cost object (fund, cost center or WBS element) to ensure that those items are appropriate.

• This includes reviews for compliance with external guidelines and reviews to ensure that expenses are charged to the correct cost objects. Review of revenue and cash collected should be part of the monthly reconciliation process.
Why reconcile?

• Reconciliation or verification of financial transactions is a key element of UK’s internal controls and is fundamental to sound business practices.
Why reconcile?

• For non-sponsored cost objects, reconciliation is important to ensure the appropriateness of the charges per the unit’s, University and donor’s guidelines. In addition, reviews need to take place to ensure costs have been charged to the correct GL accounts.

✓ Accountable to **students** (tuition revenue), **donors** (gift/endowment revenue) **investors** (bond sales) and **taxpayers** (State general fund)
Why reconcile?

• For Sponsored Projects, reconciliation is important to ensure that expenses are in accordance with Federal guidelines and/or the accompanying terms and conditions related to those grants.

  ✓ Accountability to taxpayers (through federal Student Aid programs, Federal and State grants and contracts) and all Sponsored Partners
Why reconcile?

• It is our responsibility to all of our partners to make sure these funds are expended prudently (BPM E17-6 – Reconciliation and Review of Financial Transactions).
Criteria for charging costs

• The objectives of the reconciliation and approval is to assure that revenue and expense are:
  ✓ Correctly charged or errors corrected within 90 days or within established deadlines
    ▪ Please make note of exceptions for these deadlines by referring to the fiscal year-end schedule available on the [University Financial Services web-site](https://www.uky.edu/financialservices) under Resources and Information
  ✓ Allowable for the cost object being charged in accordance with regulations and policies
  ✓ Allocable to the cost object being charged
Criteria for charging costs

✓ Appropriately approved and documented
✓ Recorded in a consistent manner in like circumstances across UK’s enterprise
✓ Analyzed to compare actual operations to budgets
✓ Reviewed and approved with unit leader
✓ In accordance with GAAP
✓ In accordance with UK’s Disclosure Statement to our federal cognizant agency (Department of Health and Human Services (DHHS))
Who should reconcile?

- While review and reconciliation of expenses is typically performed by the administrative staff in the department, fiscal management rests with the department chairs, deans, directors, principal investigators or organizational managers (referred to as the unit leader).
Who should reconcile?

• The responsibility for completing the function of reconciliation may be delegated to the administrative staff, however the oversight remains the responsibility of the unit leader.

✓ In addition to the required monthly reconciliation and approval, a documented quarterly analytical review of budgeted and actual revenue and expenses with the unit leader is strongly encouraged.
Who should reconcile?

• Sponsored Projects
  ✔ While review and reconciliation of expenses is typically performed by the administrative staff in the unit, the Principal Investigator (PI) is ultimately responsible for the expenses.
  ▪ In addition to monthly reconciliation and approval, a documented quarterly analytical review of all budgeted and actual expenses and remaining balances with the PI is strongly recommended.
Why should more than one person be involved?

• Separation of duties in accounting

✓ **Separation of duties** (SoD) (also known as "Segregation of duties") is the concept of having more than one person required to complete a task.

✓ In business the **separation** by sharing of more than one individual in one single task is an **internal control** intended to prevent fraud and error.
Why should more than one person be involved?

• In areas where Separation of duties is not possible, compensating controls must be implemented.
  ✓ A compensating control, also called an alternative control, is a mechanism that is put in place to satisfy the requirement for a security measure that is deemed too difficult or impractical to implement at the present time.
Why should more than one person be involved?

• This usually means a higher level supervisor or manager of that person must be involved in the process of reviewing and reconciling or some independent third party evaluates if the reconciliation was completed each month.
Why should more than one person be involved?

• Example: When one person in a small unit performs all administrative functions, the next level administrative office may need to be involved in reconciliation and approval process monthly.
Understanding terminology

• **Debit** – from Latin word that means “to owe” or to enter on the left-hand side of an account
  - Debits increase – Expenses and Assets (supply expense, cash, accounts receivable, etc.)

• **Credit** – to enter on the right side of an account
  - Credits increase – Income, Revenue and Liabilities (endowment income, patient revenue, accounts payable, etc.)

- Submitting a PRD will *debit* your cost center account using the expense GL account and *credit* the accounts payable GL account.
Expected balances on reports

• Cost objects expected balances:
  ✓ Cost Center with revenue only – Credit (negative) balance expected (ex: 1011XXXXXX)
  ✓ Cost center with expenses only – Debit (positive) balance expected (ex: 1012XXXXXX)
  ✓ Cost center with both revenue and expenses (self-supporting) should have a Credit (negative) or zero balance at the end of each fiscal year (ex: 10X3XXXXXX)
  ✓ Endowment cost center – Endowment income should have a credit (negative) balance (ex: 1215XXXXXX)
Expected balances on reports

• Cost objects expected balances:
  ✓ WBS/grants should have a Credit (negative) or zero balance at the end of each grant if revenue and expense are pulled, but may alternate each month (ex: 3XXXXXXXXX).
    ▪ Research Financial Services will bill and make every effort to collect on these projects, but a perpetual positive balance for an extended period where expenses are more than revenue may be cause to inquire about the status of collections.
Expected balances on reports

• Cost objects expected balances:
  ✓ WBS/capital projects with both revenue and expense should have a Credit (negative) or zero balance at the end of each month (ex: 4XXXXXXXXX).
  ✓ Internal orders are set up by the unit and may have a credit (negative) or debit (positive) balance depending upon the purpose for the order.
Reconciliation Actions

Payroll
Suggested Reconciliation Actions during month

• Throughout month:
  ✓ During each pay cycle
  ✓ After each pay period
  ✓ During the month
  ✓ After the month closes
Why reconcile payroll?

• Salary and Fringe accounted for $1.7 Billion* of UK expense in FY16
  ✔ Administrative staff are expected to reconcile at least once per month, although our recommendation is that the person entering payroll verify the amount and hours each pay period to ensure maximum accountability for these funds

*footnote 23 from 2016 UK consolidated financial statement
Why reconcile payroll?

Reasons why this is important:

• If a supervisor has not approved time prior to final payroll running, the employee’s paycheck will be short by that number of hours.
  ✓ If the employees paycheck is short, you may be asked to request a petty cash manual check for that employee.

• If there is a time collision:
  ✓ Absence and Attendance hours on the same day create a conflict as to whether it should be recorded as an absence or worked.
Why reconcile payroll?

Reasons why this is important:

• Employee’s record is locked:
  ✓ Payroll was running at the time hours submitted or approved.
  ✓ The employee did not log out completely (from device/tablet).
  ✓ Benefits enrollment check.
  ✓ New employee – Payroll Status Infotype 0003 has not been unlocked.
Why reconcile payroll?

• Additional assignments
  ✓ When an employee that has an additional assignment added, the system sets a date called the Earliest PDC (Time) Evaluation date – if hours were entered, but not transferred or evaluated prior to that assignment start date, these hours will be ignored even if it has been transferred or approved.
    ▪ Unit payroll administrator must notify Payroll Services to run a manual split time evaluation on that employee.
Why reconcile payroll?

• A payroll error has occurred and requires master data change.
• System issues that are unknown and unanticipated.
Why reconcile payroll?

Why review where payroll posted?

• A process runs each prelim, trial and final to replace closed or frozen cost objects (cost center or WBS/grants) with the cost center identified on the employee’s 1018 screen.

• If the allocation is not reviewed, these charges will post to the 1018 cost center and will require JVs to correct if not processed within the Earliest Retro dates allowed within the HR system.
Who should reconcile payroll?

- Reconciliation by pay period may be performed by the person responsible for entering time records although a second person is recommended to review the following reports as well.
Each Pay Period

Separation of Duties –

• Unit staff responsible for processing payroll must verify the completeness and accuracy of pay each pay period.

• Reconciliation staff validate the allocation of the costs and verify that the budget authority is available.
Each Pay Period

• Each pay cycle

  ✓ Before payroll prelim or trial
    ▪ Update salaries and other master data according to approved PARs and Salary Recommendation Forms or other HR documents.

  ✓ Remind all supervisors of deadline to approve leave and working time for pay period
Each Pay Period

• Each pay cycle
  ✓ Review non-exempt each pay period to validate all hours were transferred
  ✓ Review exempt to validate leave time
Payroll reports
Access to Spinifex reports

• Recommend that unit payroll administrator obtain access to Spinifex

• Revised training plan will need to be submitted through your Area Fiscal Officer

• To access t-code /SPIN/ER, user must have one of the following roles in SAP:
  • R3P-HR-DEPT-TIME-MGR-COMP
  • R3P-HR-DEPARTMENT-HEAD-COMP
  • R3P-HR-BUSINESS-OFFICER-COMP
Pay Cycles

• Pay cycles and schedules are posted and available more than 6 months ahead of a pay period at http://www.uky.edu/ufs/payroll-schedule

• Earliest retroactive dates are also posted on the payroll schedules.
Run New Reports Each Pay Period

Bi-weekly pay periods:

1. Between preliminary and final payroll dates:
   • Match leave to time data & transfer time for biweekly time periods
Each Pay Period

Bi-weekly pay periods, continued:

2. Review hours entered by employee
   • In t-code /SPIN/ER
   • Employee Hours by Pay Period report
     ✓ Report shows both productive and non-productive (leave) hours on same report by pernr
     ✓ UFS Web-site Quick Reference Guide - Employee Hours by Pay Period
   • Validate that all employees are present
   • Ensure all hours have been transferred. This report is run against same tables payroll processing will use.
Each Pay Period

Bi-weekly pay periods, continued:

3. Review and save pay to pay comparison report
   • In t-code /SPIN/ER
   • Employee Pay to Pay Comparison V2.0
     ✓ Report shows total dollars from previous pay period compared to current pay period
     ✓ UFS Web-site Quick Reference Guide - Employee Pay to Pay Comparison V2.0
   • Validate that differences are accounted for by overtime, leaves without pay, etc.
Each Pay Period

Bi-weekly pay periods continued:

4. Review Payroll Preliminary Posting Report
   • Run specifically for entries on HR clearing account (or 1018 cost center)
   • Validate cost objects being charged are appropriate for person (if changes were expected)
   • [UFS web-site Quick Reference Guide - Payroll Preliminary Posting Report](#)
Each Pay Period

Bi-weekly pay periods continued:

5. After payroll posts
   • Review Preliminary/Final Posting with Hours to determine if anything did not post as expected
   • Run specifically for entries on HR clearing account (or 1018 cost center)
   • UFS web-site Quick Reference Guide - Payroll Preliminary Posting Report
Each Pay Period

Monthly pay periods:
1. Review and save pay to pay comparison report
   • In t-code /SPIN/ER
   • Employee Pay to Pay Comparison V2.0
     ✓ Report shows total dollars from previous pay period compared to current pay period
     ✓ UFS web-site Quick Reference Guide - Employee Pay to Pay Comparison V2.0
   • Validate that differences are accounted for by changes in base pay, additional assignments, leaves without pay, etc.
Each Pay Period

Monthly pay periods continued:

2. Review Payroll Preliminary Posting Report
   • Run specifically for entries on HR clearing account (or 1018 cost center)
   • Validate cost objects being charged are appropriate for person (if changes were expected)
   • UFS web-site Quick Reference Guide - Payroll Preliminary Posting Report
Each Pay Period

Monthly pay periods continued:

3. After payroll posts
   • Review Final Posting with Hours to determine if anything did not post as expected
   • Run specifically for entries on HR clearing account (or 1018 cost center)
   • [Quick Reference Guide - Payroll Preliminary Posting Report](#)
Other Payroll Reports

Previous tools in SAP:

• ZHR_CHECKPAY
  ✓ QRC ZHR CHECKPAY Report
  ✓ Review for $0.00 in Gross Pay.

• This should help to catch situations of employees not getting paid before payroll is finalized. Note: If a new Basic Pay Infotype (0008) was created during the pay period, the employee will be listed twice on the report.
Other Payroll Reports

Other tools in SAP:

- ZHR_STEPS – used to validate STEPS hours have been loaded
- ZHR_TIMEFEEDRPT – used to validate for areas that use a time system that feeds SAP (ex. Kronos)
- Information on using SAP t-codes
Spinifex Report Demonstrations

• Questions?
Monthly Reconciliation Actions
Monthly Transaction Review

Our goal is to assure that expenses are:

• Correctly charged and errors corrected within 90 days or by specifically established deadlines

✓ Please make note of exceptions for these deadlines by referring to the fiscal year-end schedule available on the University Financial Services web-site - http://www.uky.edu/ufs
Monthly Transaction Review

Our goal is to assure that expenses are:

• Allowable for the cost object being charged in accordance with all regulations and policies
• Allocable to the cost object being charged
• Appropriately approved and documented
Monthly Transaction Review

Our goal is to assure that expenses are:

• Recorded in a consistent manner across the institution for like circumstances (using the correct GL Accounts)

✓ Accounting and Financial Reporting Services website
  ▪ Balance Sheet Accounts
  ▪ Expense Accounts
  ▪ Recharge Accounts
  ▪ Revenue Accounts
  ▪ Transfer Accounts
Monthly Transaction Review

Our goal is to assure that expenses are:

• Analyzed to compare actual operations to budgets
• Reviewed and approved with unit leader
• Reasonable and necessary
Documentation
Gather Supporting Documentation

• Supporting documentation and reconciliation documentation may be kept in

   OR

   Paper Format
   Electronic Format
Gather Supporting Documentation

• Records that are not approved through the SAP workflow electronically should be collected and accumulated in a pending file.

• Logs of documents that are approved through workflow electronically should also be maintained during the processing period.
Gather Supporting Documentation

Types of documents:

• Trip (electronic)
• *PRDs (electronic)
• Vendor transmittal forms (paper)
• Invoices (paper)
• Packing slips (paper)
• Procard receipts (paper)
• Student payment vouchers (electronic)
Gather Supporting Documentation

- Scholarship and Grant Authorization Form (SAG forms)
- Cash Transmittals (paper)
- *JVs (paper)
- Cellular allowance forms (paper)
- Other receipts/invoices

*denotes document numbers known at time of entry
Throughout the month non-labor transactions:

• Procard transactions
  ✓ Maintain log or obtain log (if needed)
  ✓ Gather documentation
  ✓ Edit timely
  ✓ Obtain approval for edited documents
  ✓ File in preferred file for edited and approved documents
Throughout the month non-labor transactions:

- Process JVs to correct prior month reconciliation issues.
- Follow-up on documents pending from prior month with processing department if it has been longer than 10 business days since submitted (*note that this time frame is dependent upon document complying with all policies).
Review of risks:

• Use a risk based approach for reviewing transactions.
• If the department enters and utilizes a secondary approval process within your unit, the accuracy should be checked during the entry and approval process.
• Most cost objects and amounts are entered by initiator rather than Central Offices.
Review of risks:

• Spend time on transactions not generated within your own department, but check all entries.

• Document each step in the unit procedure manual including the entry, approval and validation steps as required by *E17-6 Reconciliation and Review of Financial Transactions (V.A.)*
Review of risks:

• Department enters into system:
  ✓ PRDs
  ✓ JVs
  ✓ Procard edits
  ✓ SRM or shopping carts
  ✓ TRIP requests and reimbursements (default to cost object which may be changed in HR infotype 0017)
  ✓ Purchase requisitions
Monthly Transaction Review

• Generate the necessary (SAP or BW) reports for the cost object being reconciled.

• Verify that the current month’s beginning balance agrees with the prior month’s ending balance and that the prior month’s discrepancies have been corrected.

• Gather the supporting documentation for the month.
Monthly Transaction Review

- Compare supporting documentation to system generated (SAP or BW) line item reports ensuring all transactions meet the criteria for charging to the cost object and check off as reviewed. Review actual, budget and encumbrance line items during the reconciliation process.
Monthly Transaction Review

• Consider the use of data tools to confirm posting of large volume of transactions.

• For example, if have electronic file of processed PRD ‘s with 3* number, amount and cost object could compare to download of report using the reference field to match and identify any pending documents.

• Use [Report fields and column names](#) BW information
Monthly Transaction Review

• Review GL Code 540348 Procard Purchases
  ✓ Balance will be zero if all transactions have been edited
  ✓ Balance should represent only current transactions not yet edited. Review posting date to confirm.
  ✓ May sort activity on 540348 cost object by reference doc. number to see original posting and edited document if posted to same cost object.
  ✓ Could run FI details on all cost objects in Department on only 540348 to research unposted transactions.
  ✓ User name will be R3P_APPAYR_B on system generated transactions.
Monthly Transaction Review

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

• Research discrepancies and missing documentation.

• Confirm budget availability in summary ledger reports to ensure funds exist to cover all line items posted and to ensure cost object is not overspent.
Monthly Transaction Review

• Certify the reconciliation for the month by having both the reconciler and approver sign as appropriate.

• Attach documents (it is not necessary to include copies of documents that will reside in SAP).

• File and retain records per University Records Program or sponsor record retention policies, whichever is longer.
Monthly Transaction Review

• Clear any discrepancies found during the reconciliation process by preparing JVs, budget transfers or payroll corrections immediately.

• Review encumbrances to ensure all meet the criteria for charging to the cost object.
Encumbrance tracking

• Labor
  ✓ All regular full-time and part-time positions (excluding STEPS and pooled positions) are encumbered throughout the year according to information entered in HR
  ✓ Grants may be encumbered beyond the current fiscal year if info-type dates are extended to the grant expected end date (up to year 2023 at this time) by using t-code ZFI_Multi_YR_ENCUMB
Encumbrance tracking

• TRIP

✓ Require travel requests to be processed prior to employee travel to allow for tracking

▪ *Note this only encumbers the amount to be reimbursed to the employee, not Paid by Third Party or Paid by Procard transactions entered on the travel advance
Encumbrance tracking

• (SRM) Supplier Relationship Management, Shopping carts and Purchase Orders are automatically encumbered at time of Requisition.

• Funds reservation entered by unit on FMX1.

• Funds reservations entered on ZFI_MULTI_YR_ENCUMB (utilized for grants).
Recommended Monthly Reports
Recommended Process

• These are new reports that were enhanced specifically for monthly reconciliation.

• BW Reporting Menu path:
  ✓ FI Financial Accounting
    ▪ Reconciliation
      ◦ Reconciliation HR Detail – QPY_C03_5071
      ◦ Reconciliation FI Detail - QZFISL_O1_5071
Recommended Monthly Reconciliation Reports

• The HR report excludes terminal vacation payments which are posted to central cost centers, not to unit cost centers.

• Report may be run by:
  ✓ HR org unit or FI department number
  ✓ By pay period or range
  ✓ By wage type (ex. to identify overtime)
  ✓ Various other variables
Recommended Reports Saved
Views

BW Reporting views:

• Reconciliation HR Detail - **QPY_C03_5071**
  ✓ Cost Center
    ▪ Technical name: ZJAMILE1_5000
    ▪ Description: JAMILE1:Labor Detail by CC in Fperiod by Person
  ✓ Grant
    ▪ Technical name: ZJAMILE1_5001
    ▪ Description: JAMILE1:Labor Detail by GR in Fperiod by Person
Recommended reports Saved Views

BW Reporting views:

- Reconciliation HR Detail - **QPY_C03_5071**
  - Fund
    - Technical name: ZJAMILE1_5002
    - Description: JAMILE1: Labor Detail by Fund and CC in Fperiod by Person
  - Order
    - Technical name: ZJAMILE1_5003
    - Description: JAMILE1: FI detail by Order and CC in Fperiod by Person
Recommended reports Saved Views

BW Reporting views:

• Reconciliation FI Detail - **QZFISL_O1_5071**
  ✓ Cost Center
  ▪ Technical name: **ZJAMILE1_5004**
  ▪ Description: JAMILE1:FI detail by CC

  ✓ Grant
  ▪ Technical name: **ZJAMILE1_5005**
  ▪ Description: JAMILE1:FI detail by Grant
Recommended reports Saved Views

BW Reporting views:
• Reconciliation FI Detail - QZFISL_O1_5071
  ✓Fund
    ▪ Technical name: ZJAMILE1_5006
    ▪ Description: JAMILE1:FI detail by Fund
  ✓Order
    ▪ Technical name: ZJAMILE1_5007
    ▪ Description: JAMILE1:FI detail by Order
Recommended Monthly Reconciliation reports

• BW Reporting Menu path:
  ✓ Funds Management/Budget Control
    ▪ Encumbrance Details- **QZPU_O31_5000**

• BW Reporting views:
  ✓ Funds Center
    ▪ Technical name: ZJAMILE1_5008
    ▪ Description: JAMILE1:Encumbrance detail by FC
Recommended Monthly Reconciliation reports

• Encumbrance Details- QZPU_O31_5000
  ✓ Fund
    ▪ Technical name: ZJAMILE1_5009
    ▪ Description: JAMILE1:Encumbrance detail by Fund
  ✓ Grant – Coming Soon
Recommended reports

• Often the column titles on the BW reports do not match the information seen in SAP, the following link takes you to a document that explains the different column titles and what information you should expect to see displayed under that heading in the BW report.

• Report fields and column names
Budget versus Actual reports

• BW Reporting Menu path:
  ✓ Funds Management/Budget Control
    ▪ Funds center balances: Budget vs Actual
    ▪ QZPU_C01_5008
Budget versus Actual reports

- SAP t-code GMAVCOVRW
  - Use variant /UKDEFAULT.
  - Lightening bolts mean budget is not present for those expenses (includes encumbrances).

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Budget versus Actual reports

• SAP t-code GMAVCOVRW
  ✓ Use variant /UKDEFAULTCSBA.
  ✓ Negative balances mean that cost share balances need to be funded (includes encumbrances).

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Other Reconciliations

Reconciliations of Funds are required to be turned in annually by Accounting and Financial Reporting Services

• These reconciliations are required for GL accounts
  ✓ 162000 – Miscellaneous Income submitted to AFRS in March of each year
  ✓ 13XXXX – Accounts Receivable – submitted to AFRS in April of each year
  ✓ 24XXXX – Deferred and Unearned Revenue – submitted to AFRS in April of each year
Researching Documents and Tools
Researching documents

• If documents are posted to your cost object that are not recognized:

  ✓ Login to SAP, review t-code FB03 and drill down to look at the source documentation

  ✓ Instructions are imbedded in the PO Documentation in ECM (Enterprise Content Management) on page 7
Researching documents

☑ Validate the document meets the criteria for posting to that cost object and keep document in your reconciled documentation file

☑ If not posted correctly, put in To Do file to create JV and transfer to appropriate cost object
Researching documents

• If documents exist in your pending file that have not been posted:
  ✓ Check for date submitted to central office.

• Use Document Types Reference Table to contact and follow-up on these documents if not processed within 10 business days of submitting to a central office (*note that this time frame is dependent upon document complying with all policies).
Tools to use:

• Hand in Hand web-page
  ✓ http://www.uky.edu/ufs/hand-hand-presentations

• Quick Reference Guides
  ✓ All discussed today and several more are available
  ✓ http://www.uky.edu/ufs/quick-reference-guides
Tools to use:

• Reconciliation procedures Slides
• Document Types Reference Table
• Report fields and column names
Closing
Final steps

• Save documentation of reconciliation process in paper or electronic format.
• Sign the report validating that the reconciliation process is complete
  ✔ may list outstanding items to get to new available balance
• Obtain signature from unit leader signifying review and approval of the completed reconciliation.
• Initiate corrections identified during reconciliation process.
• Maintain file of completed reconciliation for retention period required by the cost object
Discussion of other approaches:

• Do you believe the tools discussed today will be useful?
• What reports or t-codes have you found most useful during your reconciliations?
• What type of reporting would improve your process?
Financial Management Success

• Dependable financial management and documented controls within your unit
• Partnership between administrative staff and unit leadership to achieve goals of organizational unit
Additional insights or questions?