RECONCILIATION OF FUNDS

ROLES

Departmental Staff of Interest
- Accountants
- Office Managers
- Business Managers
- Program Assistants

OVERVIEW

So why do we need to reconcile? Good general business practices determine that reconciliation is necessary. Good internal controls and sound business practices necessitate reconciliation of funds by business staff. Regular reconciliations provide assurance that all USF assets are safeguarded and managed effectively.

Good management practices include a monthly reconciliation and review of the official financial reports. Department business staff should be reconciling the data in Finance Mart, the official USF reporting tool, with departmental records. The reconciliation should include at least expenses, revenue, and cash. Expense includes both salary and operating expenses. PO’s and requisitions should also be reconciled.

Reconciliation can simply be described as a comparison of two independent sets of financial records as of the same point in time. This point in time is the end of an accounting period; accounting periods at USF are the months of July through June (our USF fiscal year). Departments should reconcile monthly immediately after the official final reports are created in Finance Mart. These reports are created following the closing of the accounting period (the month); our current schedule is to close an accounting period within 15 days after the last day of the month.

However a reconciliation can be done mid-month. You might do interim, mid-month reconciliations toward the end of the fiscal year when time and RSA (remaining spending authority) become critical. When you compare the two sets of financial records, identify any differences between what you expected to post to FAST vs. what actually did post to FAST.

Reconciliation will confirm that:
- The expenses were appropriate, meeting university, state and/or federal requirements
- No errors were made when the transactions were recorded
- Deposits were recorded to the correct department/college
Correcting entries have been made for prior periods. The primary benefit of reconciliation is of course the preservation of your budget and cash; this is our obligation as managers. We need to make best use of the funding we are provided. The consequences of not fulfilling our management obligations can include:

- **Financial loss**: Without reconciliation errors will go undetected. The department loses; the university loses.  
- **Poor decisions**: Undetected errors result in bad information. Bad information will result in poor reporting, poor recommendations, and poor decision making.  
- **Wasted time**: If you don’t reconcile or don’t reconcile on a regular basis, it can become more difficult to correct errors.  
- **Image**: Managers are accountable for the efficient use their department’s funds.

Separation of duties is a basic business principle that exists to ensure the organization’s financial integrity, accountability of staff, and to protect individuals from the appearance of misconduct. Ideally the person who reconciles should not be the person who:

- Creates a purchase order or buys something with a Pcard  
- Approves purchases  
- Records the receipt of vendor items in FAST  
- Approves payroll actions  
- Handles cash (currency, checks, etc)

If a department does not have enough staff to clearly separate responsibilities and the reconciler does perform one of the actions above, the reconciliation must be reviewed by the reconciler’s supervisor or a higher level authority in the department or college. Departments and/or colleges may opt to require more than one level of review. A reconciliation may be reviewed by department supervisors or management, and then reviewed again by college business staff.

Another alternative for departments where separation of duties is not possible is to develop an arrangement with another department within the same college. Two departments with insufficient staff may agree to review each other’s reconciliations providing independent oversight.
WHAT DO YOU RECONCILE

Below are a few suggested tips for reconciling. Your review may be more detailed depending on the nature of the transaction or the complexity of your support documentation.

The primary tools for reconciliation are the Finance Mart reports and the FAST General Ledger. For salary expenses, the salary distribution report from GEMS is also needed.

For Salary Expense verify:

- The salary is charged to the correct chart field string(s)
- The person paid is one of your staff
- The amount (or percentage) of distribution is correct
- Remember that individual staff may be paid from multiple funding sources
- Faculty especially may be paid from both grant projects and state sources
- PET's (payroll expenditure transfers) to correct errors noted previous month have been posted and posted correctly
- Benefits questions should be directed to the USF HR office

For Expenses verify:

- The expense was recorded to the correct chart field string
- Expenditure transfers previously prepared have now been charged
- Auxiliary overhead expense has been correctly calculated
- Interdepartmental purchases have been recorded correctly

For PO's (Encumbrances) and Requisitions (Pre-encumbrances) verify:

- All requisitions have been processed with PO's issued
- New encumbrance amounts are correct
- If partial payments have been made, the encumbrance balance is correct
- Encumbrance is recorded with the correct chart field string
- All change order requests have been applied
- PO's for which final vendor payments have been made have been closed

For Revenue verify:

- Revenue to outside customers has been recorded to the correct chart fields (using a GL account code beginning with 44xxx)
- Interdepartmental revenue has been recorded to the correct chart fields (using a GL account code beginning with 74xxx)
- Revenue amounts are correct, matching support documents
All revenue and/or AR adjustments have been posted correctly
Revenue has been credited to both AR module and General Ledger
Correcting entries from previous reconciliations have been posted

For Cash entries verify:

All deposits sent by the department to the Cashier have been posted
Payments received directly by Cashier were posted to correct customer/invoice
For commercial customers, the AR balance in FAST has been adjusted
Correcting entries from previous reconciliations have been posted
Cash transfers are posted correctly (GL account code beginning with 8xxxx)

From another perspective, what type of funding should be reconciled based on the transaction.

<table>
<thead>
<tr>
<th>Type</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>Any type of funding (state, auxiliary, research)</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Any type of funding (state, auxiliary, research)</td>
</tr>
<tr>
<td>Purchase Orders</td>
<td>Any type of funding (state, auxiliary, research)</td>
</tr>
<tr>
<td>Requisitions</td>
<td>Any type of funding (state, auxiliary, research)</td>
</tr>
<tr>
<td>Customer Revenue</td>
<td>Auxiliaries</td>
</tr>
<tr>
<td>Cash</td>
<td>Auxiliaries and projects</td>
</tr>
</tbody>
</table>

**PRIMARY TOOLS**

- Finance Mart Reports ** The official USF financial reports for reconciliation (find at HTTPS://eusf.admin.usf.edu)**
  - RSA report (to reconcile budget; you will also see expenses)
  - Financial Report Summary (to reconcile revenue and expenses)
  - Balance Sheet (to reconcile cash and accounts receivable)
  - Encumbrance Summary and Encumbrance Detail (to reconcile PO's and requisitions)
  - Payroll detail report

**FAST**

- General Ledger (lookup assets, expenses, revenue and cash by chart field or journal ID)
- Public queries
- Commitment Control (lookup budget information by chart field)
- Subsidiary modules (lookup transaction details in Purchasing, Accounts Payable, Billing, Accounts Receivable, Pcard, Travel, and grants)
GEMS

- Payroll registers
- Public queries

Departmental Records

- Your copies of order forms, requisitions, PO's, invoices
- Your payroll records
- Your copies of deposits and billings to customers

Finance Mart provides summarized and detail reports for a specific accounting period (a month) or for the year-to-date. You may choose to run a summary report and then drill to details of a specific account code or you may choose to run the full detail report.

The FAST general ledger and the subsidiary modules provide greater detail of the transaction. In FAST GL, using a journal ID or a specific set of chart field values, you can drill down to the basic details of an expense, an invoice that has been paid, cash that has been collected, and accounts receivable and accounts payable. From general ledger, it is possible to drill to the subsidiary modules. But remember, from FAST it is not possible to drill into GEMS or OASIS for details. GEMS and OASIS are separate systems.

COMPLETING A RECONCILIATION

The concept of reconciliation is really very simple. It is the comparison of two sets of records and the identification of any differences. Once the differences are identified either track transactions that are in the process of being posted or take action to make any necessary corrections. A reconciliation of university records is just what an individual would do with their own checkbook; compare your checkbook entries to the monthly bank statement. In the university, the comparison is between the department's records and the official reports of USF as found on Finance Mart. There is an additional step of documenting the reconciliation and obtaining acknowledgement of review from a supervisor. This will meet standard business practices and will demonstrate completeness and accurateness of the action.
To complete a reconciliation, follow these simple steps:

1. Gather departmental source documents
2. Run reports from Finance Mart
3. Compare departmental documents to Finance Mart
4. Review the outstanding items from the prior month
5. Identify anything that did not clear this month
6. Identify errors
7. Balance your departmental source documents to the Finance Mart balances
8. Research any unexpected entries
9. Outline a plan to correct the errors; prepare documents; take action
10. Sign and date the reconciliation
11. Have your supervisor review, sign, and date the reconciliation

Departmental source documents are the starting point. Gather the following documents.

For expense reconciliation
- Start with the prior month’s reconciliation; this will identify the outstanding items from the prior month
- A list of vendor payments approved this month
- All interdepartmental charges to your department from other USF departments
- All expenditure transfers and corrections
- The payroll register with the payroll distribution

For purchase orders and requisitions
- List of last month’s outstanding requisitions
- Copies of new requisitions created in the current month
- Copies of change orders to purchase orders
- Vendor payments approved this month

For revenue
- List of all billings and sales to outside customers
- All interdepartmental billings to other USF departments

For cash and accounts receivable payments received
- List of prior month’s outstanding deposits
- List of current month deposits
- Payments may be received by cashier, Touchnet, or lock box
- All cash receipts corrections documents

Run the appropriate reports from Finance Mart. Remember that no special ID or security access is needed to view and run reports from Finance Mart. Select the appropriate report (see page 4 above). Remember that you may run the reports to an Excel spreadsheet or to a printed report.
First examine the list of outstanding transactions from the prior month’s reconciliation. Ensure that all have cleared and posted to the general ledger. It should be a rare event when an outstanding item carries over to a second reconciliation month. (Hint: instead of waiting an entire month until the next reconciliation, check the status of outstanding items one week and two weeks after each reconciliation). An outstanding item may not have posted because additional information is needed from the department. If a prior month outstanding item remains unidentified, escalation to a supervisor is recommended. It is especially imperative to clear all outstanding items as quickly as possible at the end of the fiscal year.

Next review all current month transactions and actions to confirm that they have cleared and posted to general ledger. Make a list of all transactions that did not clear for follow-up and add them to the list of outstanding items.

Identify all errors in posting. There may be chart field errors or dollar amount errors.

The combined amount of outstanding items and errors will represent the difference between your departmental records and the totals in Finance Mart.

For transactions that have not cleared and posted to the general ledger and Finance Mart in the current period (month), make note of:

- All appropriate reference numbers such as: Requisition numbers
  - PO numbers
  - Travel authorization number
  - Travel expense report number
  - Vendor ID and name
  - Vendor invoice numbers
  - Voucher numbers
  - Chart fields
  - Customer invoice numbers (from billing module)
  - Customer ID and name
  - Deposit ID’s

Dollar amount and any descriptions of the transaction

For each of the items on the list of outstanding transactions, identify a plan of action to either correct and/or track the progress of the transactions. For outstanding transactions, the posting may be delayed pending clarification or additional supporting documentation. There could be a budget checking issue or a combination edit issue with the chart fields. Other causes for delay could be an incomplete chart field string or the use of a project ID for a grant that has reached the project ending date.
Correction of errors may require one or more of the following actions depending on the situation.

Expense paid from wrong chart field  
  Budget transfer or budget allocation  
  Journal entry to change the chart field distribution

Expense failed budget checking  
  Allocate budget to the chart field  
  Prepare journal entry moving expense to another chart field

Residual balance on a purchase order  
  Prepare a change order to close the PO

Purchase order recorded on the wrong chart field  
  Prepare a change order to correct the chart field(s)

Deposit applied to incorrect chart field  
  Prepare a cash receipt correction document

Customer payment applied to incorrect invoice  
  Request a payment allocation adjustment through the AR module  
  Never do this through the general ledger

Gather and clip together all of the reconciling documents, sign and date the cover sheet, and present it to your supervisor or the next level of approval for review and signature. The reconciliation packet should include the Finance Mart report, the list of outstanding items, list of errors, and the plan for correction of errors.

CHECKLIST OF TIPS

➢ Interdepartmental billings may be slow to process if  
  o A grant is being charged and grant has expired ending date  
  o There is insufficient budget for the charge to be processed  
  o There is no budget for the charge to be processed  
  o Chart field combination edit violations exist

➢ When running reports in Finance Mart, avoid being too specific in your search. You may search for a specific chart field string. In general search based on an fund ID, state fund ID with department ID, or a project ID.

➢ The reconciliation must be cumulative; each is built on the prior month reconciliation.
➤ The reconciliation must be timely (Monthly); set a schedule for reconciling based on the closing date of the accounting period.

➤ Separation of duties must be observed; If separation of duties is not possible, an independent higher-level review is needed.

➤ Use a standard template for reconciliation; when completed, sign and date the reconciliation.

➤ Remember that an entire journal may stall due to one error. Your transaction may not contain errors, but will stall if there are errors on other journal lines.

➤ Remember that the last payroll period of June is pro-rated between two fiscal years. This is based on the number of days in the last payroll period that fall in each of the fiscal years.

➤ Remember to use the right tools. Reconcile to Finance Mart, the official financial reporting tool for USF.

➤ Remember there is a timing difference between Finance Mart and FAST general ledger. FAST GL is right now. Finance Mart is as of the close of business of the previous day.

FOR HELP

➤ To view a very helpful web site on reconciliation, created by the Office of Audit and Compliance, go to:

   http://usfweb2.usf.edu/uac/documents/Reconciliations%205-05.pdf

➤ Consult the University Controller’s Office, Reporting and Technology Services
   o Lisa Corley 974.3430 lcorley@admin.usf.edu
   o Mark DeVore 974.2286 mdevore@admin.usf.edu

➤ Find helpful documents at the UCO training web site; this library includes training program documentation, quick refreshers, and forms.

   www.usf.edu/ucotraining

➤ To learn about records retention requirements, visit Compass at

   www.usf.edu/compass

   Search for “records retention”
To inquire about specific transactions
  o Check out www.usf.edu/fast for contact information
    o Call the Purchasing contacts for PO and requisitions
    o Call the AP contacts for accounts payables questions
    o Call the Billing contacts for outside billing questions
    o Call the AR contacts for deposit questions
    o Call Payroll contacts for payroll and benefits questions
    o Call Travel contacts for authorizations and expense reports

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<table>
<thead>
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<th>Query Name</th>
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</thead>
<tbody>
<tr>
<td>U_FIND_MY_REQ_INFO</td>
<td>Search by req #; find PO, voucher, check number</td>
</tr>
<tr>
<td>U_FIND_MY_PO_INFO</td>
<td>Search by PO #; find req #, voucher, check #</td>
</tr>
<tr>
<td>U_CASH_BALANCE_FUND</td>
<td>Search by fund ID; find current cash balance</td>
</tr>
<tr>
<td>U_CASH_BALANCE_PROJECT</td>
<td>Search by project ID; find current cash balance</td>
</tr>
<tr>
<td>U_PAYMENTS_BY_AMOUNT</td>
<td>Search by amount; find all customer payments</td>
</tr>
<tr>
<td>U_PAYMENTS_BY_DATE</td>
<td>Search by date range; find all customer payments</td>
</tr>
<tr>
<td>U_PAYMENTS_BY_DEPOSIT</td>
<td>Search by deposit #; find all customer payments</td>
</tr>
<tr>
<td>U_CF_ACCOUNT</td>
<td>Find information about general ledger accounts</td>
</tr>
<tr>
<td>U_CF_FUND</td>
<td>Find information about fund IDs</td>
</tr>
<tr>
<td>U_CF_PRODUCT</td>
<td>Find information about product code chart fields</td>
</tr>
<tr>
<td>U_LIST_DEPTID_CF</td>
<td>Find information about department chart fields</td>
</tr>
<tr>
<td>U_LIST_INITIATIVE_CF</td>
<td>Find information about initiative chart fields</td>
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