Mastering Account Reconciliations at the University of Virginia

revised MAY 2015
Why Do We Reconcile?

- To account for and safeguard University assets
- With decentralization, departments are responsible for verifying the accuracy and reliability of the financial data for their accounts

Account reconciliations are a critical control for compliance and for accurate financial reporting
IS Review
Projects/Awards

- Revenue Projects
  - Contain the CASH that backs up an award installment

- Awards
  - Contain installments and are linked to Expenditure Projects

- Expenditure Projects
  - Contain the budgets and expenditures for the work that is being done
Revenue Projects / Awards / Expenditure Projects

REVENUE

Project 123456

Award DR0012

EXPENDITURE

Project 123987
Project 123456
Project 123321

Contains the cash that backs up an award installment

Contain installments and are linked to expenditure project

Contain the budgets and expenditures
Sponsored Program Projects
(Awards that start with a “G”)

- Sponsored projects **DO NOT** have an associated revenue project
- Award installments are based on a contractually agreed upon amount
- Expenditures against the awards are billed
  - Letters of Credit (LOC)
  - invoicing,
  - pre-payment
Reconciliation

Financial Procedure 1.4 and supplemental procedure 1.4a

http://www.virginia.edu/polproc/proc/1-4.html
http://www.virginia.edu/polproc/proc/1-4a.html

- In accordance with University policy FIN – 023: Reconciling Departmental Accounting Records, departments are responsible for reconciling their accounts at least once a month for the previous month’s activity.

- **Reconciliation**: A systematic review of accounts against source documents to verify that all charges are accurate and appropriate, and to identify expected charges that have not yet occurred.

- The purpose of the monthly review is to identify and correct mistakes in a timely manner. Any unusual transactions must be reported *promptly* to the appropriate dean, department head, or central financial office.
Reconciliation

- Compare transactions in Recon@UVa to the department's documents
- Determine if transactions are accurate and complete
- Identify outstanding transactions and those that need correction
○ Reconciliations are completed electronically using the Recon@UVa system for any Project/Task/Award (PTA) combination for which you are responsible

○ **very important** - a project can be funded by more than one award, and awards are tied to the source of funds so different restrictions may apply
Supporting Documentation

Departments must:

- Retain all original supporting documentation related to financial transactions *
  * Exception for original documents: petty cash & travel
    ** Originals to Accounts Payable
    ** Copy for the department
- Be able to provide source documentation in a timely manner if requested by central financial offices or auditors
- If a document resides in the Integrated System (electronic) you are not required by Internal Audit to print
- No required method of filing – based on departmental needs.
  - A best practice in the field is to file documents by PTA combination, then by date.
  - Another practice is to file by Vendor.
Supporting documentation must be retained in such a manner as to satisfy state and federal records retention requirements *(or until the Institution has been audited, whichever is longer)*

**State Retention Periods**

- Payroll Records = 5 years + current fiscal year
- OTPS Records = 3 years + current fiscal year

University records may not be destroyed until an approved “Records Retention and Disposition Schedule” (RM3 form) has been submitted and approved by Caroline Walters
Sponsored Projects Retention Periods

Records for sponsored program accounts will be destroyed 5 closed fiscal years after the award end date (in the Integrated System) or time period stipulated in the agreement, whichever is longer.

5 closed fiscal years for Contracts or as stated per the terms in the contract, whichever is longer.
Reconciliation Roles

- Assigned when projects are created in the IS
- Two are required – Preparer and Approver
- Examiner role is optional
Preparer

- responsible for reviewing each expenditure transaction to ensure its accuracy
- ensure that sufficient source documentation is available
- resolve as many accounting errors as possible
- questions about the appropriateness of particular expenses should be brought to the immediate attention of the Approver for clarification and/or correction
- cost transfers should be initiated as soon as the error is identified
- responsible for following up on any transactions that remain outstanding for more than one accounting period
Approver

- **Approver:** responsible for verifying the *legitimacy, appropriateness and necessity* of transactions recorded against their Project/Award (PA) combinations.
Examiner

- **Examiner**: Optional role to assist in the review and approval process.
Review

- Are all expected transactions charged or credited to the correct PTAE0?

- Were any transactions from other departments charged/credited incorrectly to your PTA?

- Do all transactions have supporting documentation (as required)?

- Have discrepancies and outstanding items been entered as “Issues” in Recon@UVa?

- Do all transactions comply with University policies and procedures, and applicable state and federal laws and regulations?
Additional Review for Grants

- Sponsor’s Notice of Award (NOA)
  *Principal Investigator (PI) or Division Administrator has a copy.*

- Review your award data to the NOA

- Understand the difference between Direct and Facilities & Administrative (F&A)/Indirect costs
  - **Direct:** Salaries, lab supplies, travel, etc. *the department initiated expenses*
  - **Indirect:** F&A Calculation - Recovery rate negotiated between UVA and the institution’s federal cognizant agency *rate is applied to select direct expenditures (burdening)*
Projects with no activity

- Projects that have no activity (meaning no transactions) during the month and no planned expenses (commitments) do NOT require monthly review OR approvals.

- They can be viewed by choosing the No Activity status in the summary tab.
Timeliness

Complete reconciliation by the $15^{th}$ day of the month
(or alternate schedule if applicable)

Remember, reconciled does not mean that all the problems have been resolved. It means the reports have been reviewed, issues have been identified and documented.
Electronic signatures

- Electronic signatures and dates are captured to ensure compliance with procedural deadlines.

- Special note for Sponsored Projects: IF A PI ASSIGNS AN ALTERNATE APPROVER THE PI MUST STILL SIGN & DATE A PAPER COPY OF THE RECON@ BBA REPORT.
Resolving Issues

- Locate missing documentation
- Note outstanding expenses/revenues
- Remove transactions that don’t belong on your PTA and make appropriate corrections for errors
- Move expenditures in your suspense projects (Labor/OTPS) to your PTA
- Cost transfers are done at the time of reconciling, and you must note the batch name for documentation and for follow up of resolution of the issue
Resolving Issues

Additional policies and procedures may apply for Sponsored Program projects and awards
transactions

- UVA_GM_NO_07112014_1030_1
- UVA_GM_MED_NUT_022615_1000
- UVA_GM_MAIL_20150227082157
- UVA_GM_ASCADJ_20150131_BSW5W_EPAY2
Assistant Vice President for Finance and University Comptroller

Financial Administration has changed its name to the Office of the University Comptroller and undergone an internal reorganization. This new structure allows us to continue supporting the University’s mission, and to position our team to better support University priorities, including the New Internal Financial Model and continuous improvement efforts.

Our three main units now comprise:

- Financial Analysis
- Financial Operations & University Reporting
- Training & Outreach

Our goals remain the same: To provide financial and administrative leadership, strong internal controls, and services of the highest quality to the University community.

Our office is responsible for financial reporting, financial transaction processing, account reconciliations, fixed asset...
Monthly Account Reconciliation

Expenditure Focus

Procedure 1.4

Procedure 1.4a
What you will need

- Department records/documents related to expenditures for PTA combinations
- The reports required for your reconciliation will be in Recon@
- Additional reports are available in Discoverer
Recon@UVa

- Use of the electronic system is mandatory
- Annual certification of compliance with relevant Policies/Procedures/Guidelines is required
- The Policies/Procedures/Guidelines are easily accessible from links on the Welcome screen
Accept Responsibility

I understand that in preparing, reviewing, and/or approving data contained in this system that my actions must be in compliance with the policies, procedures, and guidelines listed below, as applicable.

☐ I certify with my electronic signature that I have acted in accordance with these directives.

Accept

Policies and Procedures

<table>
<thead>
<tr>
<th>All Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliations of all University projects and awards are required to maintain the integrity of the University’s accounting records and to protect the interests of the University. These reconciliations are essential for an effective internal control environment.</td>
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<tr>
<td>Policy FIN-021: Internal Control</td>
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<tr>
<td>Policy FIN-023: Reconciling Department Accounting Records</td>
</tr>
<tr>
<td>Policy VLF-1: Disbursements: General Requirements</td>
</tr>
<tr>
<td>Website: Procurement &amp; Supplier Diversity Services</td>
</tr>
</tbody>
</table>

| GA Non-Sponsored Projects |
| GA Sponsored Program Projects |
| P-Cards |
Welcome

Data successfully loaded on: 2/3/2014 4:46:17 AM
Month end occurred on: 12/31/2013 11:51:00 AM

Welcome to Recon@UVa!

January month end data was not loaded in Recon@. The technicians are working to identify and solve the issue.

[UVa Help Desk] support is available for Recon@UVa at 4-HELP.
Features

- Web based
- No printing required (except for sponsored projects signed by alternate approvers)
- Ability to work ahead
- Clearly defined roles and workflow
- Ability to assign alternate reconcilers
Features, cont’d

- Enter comments
- Flag outstanding issues
- Add/subtract reconciling items
Workflow

Reconcilers

Preparer

Examiner

Approver

Fiscal Officer

VP/Dean

Notified when month-end data available (usually 1\textsuperscript{st} of month).

Optional role to assist in review and approval process.

Notified of accounts ready for approval or overdue.

Notified if any account has not been reconciled after 30 days.

Notified if any account has not been reconciled after 60 days.
Alternate Assignments

- Alternates for any reconciler role
- Knowledge and authority
- Same access as “Person of Record”
- “Person of Record” retains fiduciary responsibility
Recon@UVa

An automated system for Expenditure Reconciliations

http://www.virginia.edu/recon/
Follow up actions...

- Seek missing documents
- Gather information about transaction discrepancies
- Finalize transactions on projects/awards to be closed
- Finally close completed POs if there are no pending invoices
Award Management

Note: This is not a mandated activity, but Award Managers are expected to monitor their awards and to manage to established budgets.

- **BBA by Awd Mgr**
  (workbook: GA_Award Review Reports)

  Review budget and actual totals and take corrective action as necessary.

BPDP class: Awards and Cash Management
Monthly Account Reconciliation

Revenue Focus

Procedure 1.5
### General

**Course**  General Ledger (GL) Revenue Reconciliations Workshop  
**Start Date**  
**End Date**  

### Description

This course will provide guidance to performing revenue reconciliations at the University of Virginia and understanding the requirements.

### Intended Audience

Fiscal personnel who are responsible for the preparation, review, and approvals of revenue reconciliations.

### Keywords

Recon

### Objectives

You will be able to complete monthly revenue reconciliations as required by Procedure 1-5.
Contact information

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924-6157

FI – Outreach & Compliance
http://www.virginia.edu/finance/