Best Practices

Reconciliation

Contents

What is Reconciliation?

To reconcile means "to bring into agreement or harmony". The reconciliation process compares transactions recorded on the department's accounts in the university general ledger (myUFL) to source documents to determine which are complete and accurate or in error and require correction.

Why Reconcile?

The reconciliation of payment and receipt transactions to the accounting system (myUFL) is one of many internal controls that must be in place in a department. It helps to:

- Verify the accuracy of transactions posted to the accounting system for each budgetary cost center
- Identify errors
- Process corrections.

The purpose of controls is to protect the University and protect those employees who are acting in good faith and is an important part of a departmental administrator's fiduciary responsibility.

Who Does Reconciliation?

Department Business Administrators have a responsibility for identifying and resolving financial problems. It is therefore critical that Department Business Administrators understand the transaction information contained in their ledgers. One of the most important internal controls* in a business setting is to reconcile a department's records to source documentation ensuring revenues and expenses that have been recorded are legitimate. This is similar to when an individual compares (or reconciles) their bank statement/online account information to their check register. In fact, there have been several instances of errors and even fraud at the University that would have been caught had proper and timely reconciliations taken place.

Internal controls are processes affected by the organization's structure, work and authority flows, people and management information systems that are designed to help the University accomplish its specific goals or objectives. To learn more about internal controls, the University offers Internal Controls at UF training (PRO303). Refer to Finance and Accounting's Directives and Procedures, Departmental Fiscal Responsibility (http://www.fa.ufl.edu/directives-and-procedures/accounting-and-reporting/#departmental). The purpose of controls is to protect the University and protect those employees who are acting in good faith.

Specific Reconciliation Guidelines

These guidelines govern the reconciliation of financial information by the university. Reconciling payment and receipt transactions to the accounting system must be performed on a regular and timely basis for each budgetary cost center, but no less than monthly. Guidelines concerning this process must include the following:

- Reconciliations may be performed periodically (daily, weekly), but not less than a monthly basis, depending on the needs of the department.
- Reconciliation of transactions to source documents is required to be performed for all transactions over $100.
- For transactions under $100, reconciling consists of spot checking at least 25% of the budgetary cost center transactions to the source documents.
- Inaccuracies or incomplete financial information identified during the reconciliation or verification process must be investigated and corrected in a timely manner so the next reconciliation can incorporate those corrections.
- Reconciliation of contract and grant transactions may need to be performed at a more detailed level for all transactions in order to satisfy the needs of the sponsor.
- Business Administrators are responsible for reviewing reconciliations periodically (preferably monthly) and documenting that review in some manner such as initial, signature or electronic signature.
- Reconciliations must be documented and an audit trail maintained. All reconciliation documentation must be kept for the current and two prior fiscal years.

Acceptable Reconciliation Practices

Since department size and complexity varies significantly, there is not one set of specific fiscal procedures that fits all departments. However, there are certain important requirements that all departments must ensure are met to have an acceptable reconciliation process.

An acceptable process for reconciling transactions to source documents will be a combination of at least one type of transactional (myUFL) data and at least one type of source document. However because different departments may organize their transactional and source documents data, there is no one way to perform this reconciliation. Acceptable transactional and source documents are below:

Transaction Data (must be from myUFL)	Source Documents
Delivered reports (Transaction detail report	Hardcopies (receipts, etc.)
FIT Cube or Query Studio reports	Electronic (PDF, Images, etc.)
Subsidiary Ledger from myUFL(Excel, Access Database)	Image from myUFL or AP subsystem (voucher images, etc.)
	Manually kept subsidiary ledger (data cannot be from myUFL)

An acceptable reconciliation process will consistently use at least one item from the transaction data list and at least one item from the source document list to reconcile the department's transactions. Below is an illustration:
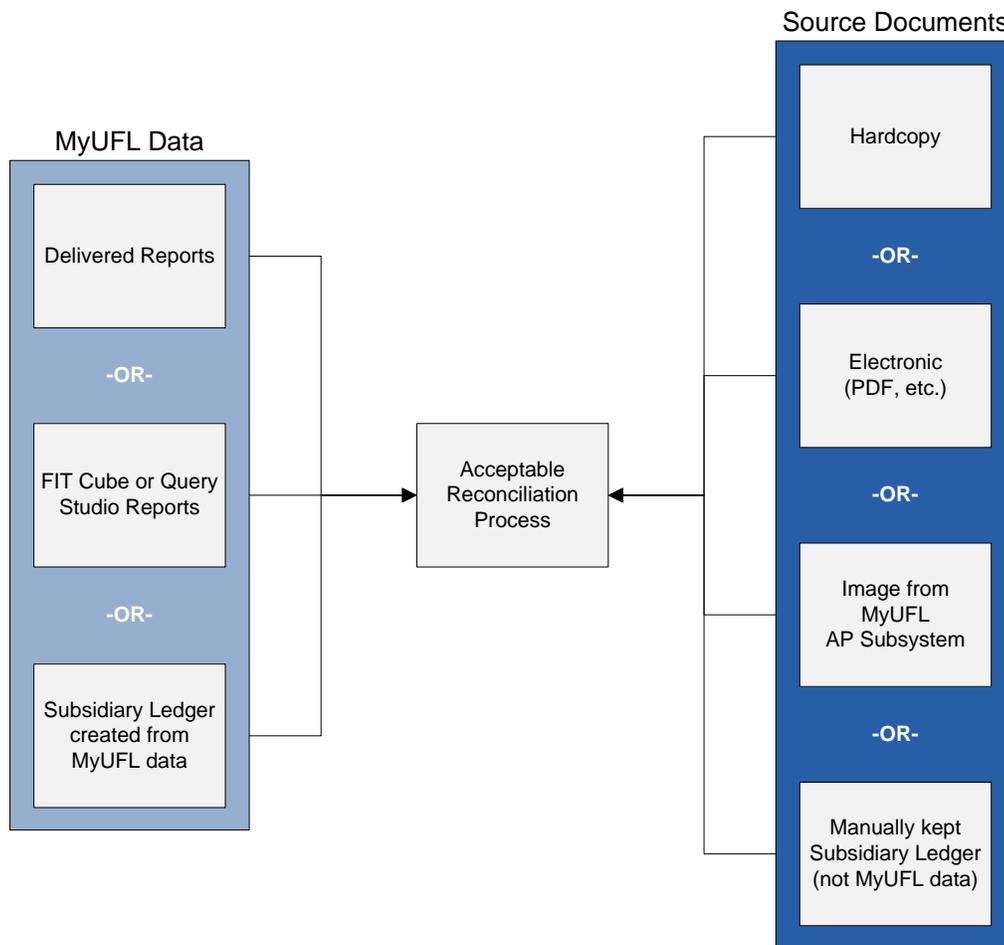
Vouchers

The reconciliation can be performed using the Transactional Detail report (delivered monthly report in Enterprise Reporting) or a prompted report or the Financial Information Tool (FIT cube) from Enterprise Reporting that lists transactions posted to the accounting system.

- Review the report for unusual dollar amounts or vendors and review for appropriateness of the transaction.
- Scan for duplicate payments by looking for repetitious dollar amounts, multiple payments to the same vendor, duplicate invoice numbers, etc.
- Scan for unfamiliar vendor/payee names.
- Scan for unusual or incorrect account codes or types of expenditures. The department determines what an unusual transaction is. For example: a federal grant that does not allow foreign travel must not have any transactions on that account code.
- Scan for unusual requisition numbers (numbers out of sequence) that may not belong to your department.
- Scan purchasing card transactions for posting to the correct chartfield and for unauthorized cardholders.
- Match charges greater than $100 to the department's source documentation.

Payroll

In addition to the review of the preliminary and final paylists, all payroll transactions on the general ledger must be reviewed and reconciled regardless of the amount paid. There are three items that affect payroll calculations: time and labor, rate of pay and distribution of costs across chartfields (commitments).

The reconciliation is performed using the Payroll Reconciliation Detail report (delivered monthly report in Enterprise Reporting). This report lists the payroll transactions posted to the accounting system.

- Review the detail for unusual names or dollar amounts.
- Look for duplicate payments or unknown employee names.
- If employees have split commitments, compare HR Account Code and Earnings Percentage to the Payroll Cost Distribution Analysis report. This report isn't needed if employees have a single commitment percentage.
- Hours paid must be reviewed for reasonableness (e.g. greater than 80 hours, more than usual, etc.).
- Rate of pay is that rate that is in Workforce Administration and procedures must be in place to reasonably ensure that, upon the process of any personnel action item, the rate input into the system ties to departmental records.

Reconciliation Process

There are different Monthly Financial Reports a department can run to reconcile their ledgers. The recommended reports to use are delivered departmental reports found in myUFL. A routine alert is posted on the IT Alerts Dashboard and an email is sent to the UFACC list serve when these reports are ready. Instructions to be added to list serve are found here: http://www.fa.ufl.edu/departments/general-accounting/staying-informed/.

To learn more about running the delivered departmental reports and prompted reports, please enroll for the Reconciliation class (PST130).

Note: You can also use the myUFL PeopleSoft query tool and/or the Financial Information Tool in Enterprise Reporting (FIT Cube) to customize your departmental reporting needs. To learn more about the FIT cube tool, attend the training class PST117 and find toolkits here: http://hr.ufl.edu/training/myUFL/toolkits/powerplay.asp.

Reconciliation of Budgetary Cost Centers

The reports needed for reconciliation are found in Main Menu>Enterprise Reporting>Department Reports of myUFL. A guide to viewing and reviewing your departments' reports can be found here: http://hr.ufl.edu/training/myUFL/instructionguides/ER_myUFLReportsMenu.pdf.

Note: *The budgetary cost center should be checked at the top of each page. Some cash based funds have various source of funds assigned. Example: Fund 171 have source of funds that begin with the letter F indicating the moneys are Foundation funds. Each source is a different budgetary cost center that must be reconciled.*

Reconciliation of Sponsored Projects Cost Centers

Reports for Sponsored Projects are located in the Sponsored Programs Reports or Residual/Overhead reports section of Enterprise Reporting.

All reports are grouped by fund. You can search by department ID, by PI or Project number.

The Grant summary gives the overview the Cash Summary gave for the previous examples.

The Grant Summary is an 'at a glance' of expenditures for a particular month. This example reviews Other Operating Expenses. The Transaction Detail report will give us the details of the expenditures.

Reports needed for reconciliation of Sponsored Projects are the Residual/Overhead group of reports. They are put together the same as the Departmental Reports organized by Project numbers.

The search results list the different projects under the selected funds.

KK to GL Summary Comparison

Commitment Control to General Ledger Reconciliation

The general ledger is the official accounting record of the University. It is the last stop for a transaction for all expenses. There are different checks performed for each transaction in the myUFL accounting system. One check is in commitment control which provides budget checking capabilities, encumbrance information and real-time available balances.

A transaction may get hung up in the system and not get posted to the general ledger or the transaction may bypass commitment control and go straight to the general ledger. This is a rare incident and causes the ledgers to be out of balance. It is important that every transaction that occurs in myUFL must reflect in commitment control as well as post to the general ledger. The KK to GL Summary Comparison delivered report offers this reconciliation. This comparison must be done monthly with the other reconciliation processes. Keep in mind the variance may be a timing issue so comparing the variances from month to month is advised. If the variance doesn't go away more research must be done to correct the error.

If there is a variance, identify the account and contact the appropriate core office for assistance in identifying the problem and developing a correction plan.

Purchase Order Reconciliation Process

Open Encumbrance Summary

The Open Encumbrance Summary reflects all active encumbrances (POs and TAs) in myUFL. This report must be reviewed for accuracy as vouchers and expense reports must be paid against these when expenditures require pre approval. This report should be reviewed and compared to one of the other reports to be sure the POs are being charged and released appropriately. To see all of the activity on an active PO, the PO Activity Summary is a great resource in myUFL. This screen is connected to Accounts Payable and will only show the difference between the original amount of the PO and the vouchered amount and should not be used to see open or closed POs.

UF Purchasing runs a reconciliation process monthly to close any outstanding POs that meet particular criteria. The information and schedule are found here: http://www.purchasing.ufl.edu/departments/faqs.asp#reconciliation. PO reconciliation is completed monthly. If a specific purchase order should be omitted from this process please send an e-mail to purchasing@ufl.edu with the Purchase Order number and a valid business reason.

Payroll Reconciliation Process

Understanding the integration of the Human Resources Management System (HRMS) and the Financials system can be challenging. As each pay cycle is confirmed in the HRMS module generating paychecks which in turn creates payroll *expenditure files in the Financials system and the EPM Detailed Payroll Reporting table is updated.* This detailed payroll information is then posted to the General Ledger. Payroll must be reconciled to ensure the accuracy of the employees receiving a paycheck from the myUFL system. The Payroll Cost Distribution Run Date Detail report must be reconciled as well as the Preliminary and Final paylists reviewed for accuracy. The final paylist is used to verify the amount on the reports.

Timing and Other Activities

Departments should consider the following in the payroll reconciliation process between HRMS and FI systems:

- Prior period adjustments in HRMS will be reflected in the current pay cycle.
- Adjustments to the General Ledger are not reflected in HRMS, Detailed Payroll or HR Accounting Line tables.
- Adjustments to the General Ledger are reflected in Journal Transaction and General Ledger Balance Reporting tables.
- Payroll information is available in the system following each payroll closing.

Payroll Reconciliation Reports

The following reports can be used in the payroll reconciliation process. All of these reports require access to Enterprise Reporting (and even HR reports, if applicable):

These reports are for payroll processors:
- **Preliminary Payroll Paylist Report**
  See all employees' preliminary pay report to verify the employees will be paid appropriately.
- **Final Payroll Paylist Report**
  Verify employee will receive an accurate paycheck.

These reports are for Financial reviewers including those processing department budget tables (distributions)
- **Projected Payroll Cost Distribution**
  Review projected payroll expenditures for the fiscal year. This will assist in budgeting throughout the year.
- **Payroll Cost Distribution Run Date Detail**
  Detailed payroll entry break down, employee totals and chartfields charged to compare against expected pay.
- **Transaction Detail**
  Compare payroll expenditures that have occurred on the general ledger and the payroll cost distribution report.

Payroll Reconciliation Tips

1. A department runs the Payroll Cost Distribution report to confirm payroll costs as soon as it is available after payroll runs. This adds an added level of security. This can be found in Enterprise Reporting at: Public Folders > Human Resource Information > Pay Information > Payroll Cost History > Payroll – Fellowship Cost Distribution by Cost Center and Person including Off Cycles.

2. Keep a running total from the Final Paylist on a spreadsheet so that when it comes time to reconcile the department report you have a document that you can support with your source documents (Final Paylist) to review the expenditures. Helpful queries to determine if retro is working :
   > SM_RETROS_PENDING
   > SM_RETRO_STATUS
   > UF_PY_EMPLOYEE_ON_RETRO_BATCH

   Helpful query to determine processed by:
   > UF_CA_AUDIT_INFO

3. If there are transactions that show up in Commitment Control during the month that cannot be explained by the Payroll Cost Distribution report, then more research needs to be done to determine the cause. If the Query does not answer the question, contact Payroll. The navigation is Enterprise Reporting -> Access Reporting/Public Folders -> Human Resources Information -> Pay Information -> Current Pay Cycle -> Prompted Cost Distribution Reports -> PDF-Payroll or Fellowship Payroll and Estimated Fringe Benefits by Person **Or** PDF-Payroll or Fellowship Earnings and Estimated Fringe Benefits by Cost Center by Person.

4. Review the Projected Payroll Cost Distribution as soon as it is available and match it against unit expectations.

Frequently Asked Questions

- **Are the duties for initiating requisitions, receiving purchased items, processing of invoices for payment, and reconciliation of the ledgers separated between two or more employees?**

  It is recommended that there be four separate people performing these duties when purchasing items. However, some departments cannot separate all duties due to staffing issues. In those cases, the department must consider mitigating controls.

- **Does management review charges recorded on the ledger and inquire about unfamiliar charges?**

  Best practices indicate that management must review charges that are recorded on the ledger and ask for more information about unfamiliar charges as part of the monthly reconciliation process.

- **How is management's review of the ledger, reconciliation, and supporting documentation appropriately documented?**

  Management's monthly review must be documented with a signature (electronic signature is acceptable).

- **Are encumbrances and disbursements reconciled with the ledger?**

  Encumbrances and disbursements must be reconciled with the ledger. The disbursements are the vouchers that are created during the spending of funds from the chartfields. Encumbrances are commitments created when a Purchase Order or Travel Authorization has been issued.

- **What if there is a Voucher transaction that I do not recognize?**

  The voucher ID can be reviewed in myUFL under Accounts Payable. The path is Accounts Payable > Vouchers > Entry > Regular Entry. Click on find an Existing Value tab and type in the voucher number in the "Voucher ID" field; make sure to include all leading zeros. Press Search and the detailed voucher information will appear on the screen. *For more information on this task please attend Paying Vendors class PST071*. The Summary tab has a Created By field that is populated by a UFID in the summary tab of the voucher. Contact the department that created the charge and ask them to create an expense to expense transaction (E2E Journal) through the system to remove the charge. If the field reflects UF_PROCSHED the system created the voucher and further investigation needs to be done. Contact University Disbursement Services for assistance.

- **What do I do if there is a payroll transaction for an employee that is not in my department?**

  Contact Payroll at 392-1231 for help in getting this error resolved. A retro to move the employee out of your department to the correct department must be processed.

- **Are descriptions I am using in my transactions helping me reconcile my department reports?**

  It is essential that a good detailed description be used when entering your department's transactions in the myUFL system. For example, you could not find out what particular computer software was if you just typed "computer software". Giving a description of Microsoft Office software or Dr. Gator would help you to remember a purchase.

- **May I reconcile my budgetary cost center electronically?**

  Yes. Electronic signatures are acceptable forms of verification the reconciliation did indeed occur.

- **How do I reconcile the Preliminary Paylist Report?**

  Most departments keep an Excel spreadsheet of all employees for whom they are responsible and how much they expect them to be paid. Once the Preliminary Paylist report is ready, run the pay list and compare it to the list of employees that you expect to be paid. It is reviewed to confirm current

employees, estimated amount of hours, and estimated pay amount. If there are any variances, make sure they are corrected. Be sure to document the review has been completed. Corrections are typically made by employee or HR Manager.

- **Where is the Preliminary Paylist found?**

When it is ready it is in Enterprise Reporting: Public Folders > Human Resources Information > Pay Information > Current Pay Cycle > Delivered Payroll Pay list Reports > Preliminary Payroll Listings.

- **What do I do after the Preliminary Paylist is reconciled and payroll runs?**

After the payroll is processed the next step is to run the Final Paylist for review.

- **How do I reconcile the Final Paylist?**

The final pay list is reviewed when available in Enterprise Reporting: Public Folders > Human Resources Information > Pay Information > Current Pay Cycle > Delivered Payroll Pay list Reports > Final Payroll Listings. The Final Paylist must be reviewed much like the Preliminary Paylist report. It is reviewed to confirm current employees, amount of hours for hourly employees, and the exact pay amount. If there are any variances you can then ask to make sure they are corrected by the appropriate HR Manager before the next pay cycle runs. Be sure that the appropriate manager documents that this review has been completed. Corrections are typically made by employee or HR Manager.

- **How does this tie to the Payroll Expenditures on the Department Reports?**

The final paylist is run biweekly. Each of the totals of the cost center combinations for the bi-weekly amounts must be added to compare to the total amount of payroll charges on the department reports. This amount must match. If they do not then there is an additional error or there is something unexpected that needs to be addressed.

- **What is the Projected Payroll Cost Distribution report?**

The Projected Payroll Cost Distribution report lists the projected payroll remaining in the fiscal year for each employee in a budgetary cost center. This report should assist in understanding the cost of each employee's employer paid payroll earnings, benefits, and taxes. This report should help budget for employee payroll for the reminder of a fiscal year.

Note: Please be aware that the benefit projection is based on the last pay period, and the report does not include vacant positions that you may hire in the future. The delivered report will always relate to the monthly reports and not necessarily to the last payroll. However, the prompted report will relate to the last payroll so you have to be careful. If you run the report before payroll has completed, it will not give you accurate projections! Also, if you have summer faculty, the projections will not be reflected until late April. Finally, a word of caution – projections for OPS employees are based on their FTE which may not always be the same as the hours they normally work.

Definitions

Budgetary Cost Center – A department, organization, or a fiscal activity which must be separately accounted and/or budgeted for; represented by a combination of chartfields.

Delivered Reports – Monthly Financial Reports (MFR) found in Enterprise Reporting and Access Reporting.

FIT Cube – Financial Information Tool in Enterprise Reporting Access Reporting consisting of Financial Reports and query tools for both current and historical data. This tool allows filtering and customizing to a unit's reporting needs.

Internal Controls – An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.

Source Documents – Source documents can take several forms:

> **Hardcopy** – Invoices kept in a file folder and/or file cabinet.

> **Electronic copy** – Invoices electronically scanned and filed on a department's server.

> **Manual subsidiary ledger** – Separate database from myUFL (excel, ACCESS, etc.) used as a transaction register.

Subsidiary Ledger – Files downloaded from myUFL queries into excel or other database.

Query Studio Reports – Training is required to use this tool (PST912) that contains various data packages allowing departments to build queries to meet their reporting needs.

Resources/Contact Information

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