

Procedure 10305a: Review of Financial Activities

A. Introduction

In the University's decentralized environment, managers of departments and other cost centers (herein referred to as department heads) have been delegated significant responsibility for the proper management of University resources. This responsibility includes the monitoring and review of revenues and expenditures recorded in the accounts (funds) assigned to them. As part of this responsibility, these department heads shall perform monthly [reconciliations](#) of revenue and expenditure activity.

B. Procedures

The standard Microstrategy reports should be the basis for the monthly reviews. The Controller's Office does not prescribe how such reviews are to be performed. However, a procedure must be in place to ensure the monthly transaction activity reflect all items the department head authorized for payment, that no inappropriate expenditures exist, and that revenues collected for the operation have been deposited (if applicable). Departments are strongly encouraged to complete their reviews soon after the close of each month so that corrections can be completed within sixty days¹ of the original posting in the accounting system.

The department head can delegate all or a portion of this monthly review to others, but the department head is responsible for the adequate performance of the monthly review. In addition, this monthly review must be documented by the completion of the certification on the last page of the "Snapshot by Organization Report" (FIN_SNAP_BY_ORGN). The printout and certification should be retained in the department files for a period of three years.

The requirements listed above and in the policy are intended to ensure the following objectives are met:

B.1 Accuracy and Reliability

Transactions are recorded for the correct amount in the proper funds, organizations, and account codes. There are no double-posted items.

B.2 Completeness

All items the department authorized for payment have been posted and revenues collected for the operation have been deposited (if applicable). There are no missing items.

B.3 Appropriateness and Allowability

¹ In accordance with University Policy 3100 Fiscal Responsibility.
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Charges and payments are an appropriate use of the funds to which they are posted. All expenses are allowable under applicable state laws and regulations, university policies and procedures, and the specific requirements of grantors.

B.4 Reasonableness and Necessity

All charges and payments posted are necessary for the successful discharge of the university's instruction, research, and extension mission. Prices paid are reasonable in relation to market value, and all efforts were made to obtain the best price. Departments are strongly encouraged to complete their reviews soon after the close of each month, usually by the 30th of the FOLLOWING month, so that corrections can be completed within sixty days of the original posting in the accounting system.

The HokieMart system has introduced some additional consistency and automation to departmental business processes across the university, but it does not change the fact that the objectives described above still need to be met in order to maintain fiscal accountability and achieve full compliance with the intent of Policy 3100. HokieMart does provide departments with some alternatives to the prior system of paper record-keeping that should be considered when developing specific departmental procedures for monthly financial reconciliations.

B.5 Accuracy and Reliability

The HokieMart system minimizes clerical errors by reducing the number of times a transaction is keyed. Documents required to be entered into the Banner Finance system for use of central administrative offices such as the University Controller and Purchasing are fed to Banner electronically based on data already entered into HokieMart. This reduces the opportunity for error that existed in the prior system when data was keyed onto paper forms and then later re-keyed into banner. Fund codes used on a transaction are validated as appropriate for a given organization when they are entered into HokieMart.

A Microstrategy report titled "Purchase Order/Invoice Exception Report" is available to assist departments using the HokieMart in meeting the accuracy objective. This report compares invoice amounts to purchase orders and reports exceptions. It is a good tool to use when performing month end reconciliations.

The report specifically identifies the following items:

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1. Shipping charges which were paid but not included in the purchase order amount.
2. Fund or account changes on the invoice which differs from where the original purchase order encumbered the funds.
3. Invoice amount is greater than the purchase order amount.

Since there are a number of transactions that are not currently entered into HokieMart (copier, mail charges, etc.), it is important to continue to maintain source documents in your departmental files and to tie the funds, accounts, and reasonableness of amounts into what is posted in Banner when you perform your monthly reconciliations.

B.6 Completeness

While data feeds between Hokiemark and Banner are generally extremely reliable, no process is foolproof and the best practice is to design your reconciliation processes to detect omissions in the banner Finance data. Having procedures in place to identify omissions is also critical as it relates to transactions that do not originate in Hokiemark.

Depending on the size, complexity, and staffing levels of each department, one of the following three options are generally used to compare transactions initiated in HokieMart to those posted in Banner to ensure all purchases are included (completeness) and no purchase transactions exist that were not initiated by the department (posted to the wrong fund, etc.):

HokieMart allows departments to run PO History queries on demand, which can be compared to the monthly financial reports to ensure all purchases are included and no purchase transactions exist that were not initiated by the department. There are two methods to search for documents in HokieMart. In the upper-right portion of the screen, a "Search for" box is available. From the drop-down listing, select Documents and enter the known number. By selecting Documents, ALL types of documents will be searched. When complete, hit entry or click the magnifying glass. The matching document will be displayed. Also displayed will be the current status of the document in the workflow.

The second search option is to select "Search Documents" from the menu located on the left the page. Using a simple search, there are three fields which may be used. There is a drop-down option available to select a particular type of document to search. Leaving it set to All Documents will display all types. The center field allows users to enter specific information. By selecting a particular document type and entering unique information specific results will be returned. Information that may be entered here, based on search selection, include requisition name or number, PO number, invoice number, contract or catalog number or supplier name or invoice number. Users will also be able to identify a specific date range. There are several options to select from. Remember, results returned will be drastically affected by the date range selected.

The Advanced Search section provides the ability to conduct a more detailed search. Users may

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select any of the available search options from the drop-down list provided. Based on the selection, the fields available to search may be different. An added benefit to the advanced search is the Custom Field. This allows the users to search by the funding of a particular PR or PO in order to view funding information. A particular Workflow Status may be selected. If necessary, multiples may be selected. Some fields provide a drop-down list to assist in searching. The resulting report can be printed and compared directly to the Microstrategy Month-to-date Transaction Detail Report. Each order should have a corresponding encumbrance on the Finance report with a rule code of PORD.

A more traditional but less efficient method is to print each Purchase Order as they are entered in HokieMart and retaining them in a pending documents file for reconciliation to Microstrategy reports at month end. This method may only be practical in highly centralized, usually smaller, departments. An advantage is the documents can then be filed by vendor, fund, activity or other desired method for future reference.

A final method is to maintain a log or multiple logs of Purchase Orders completed in HokieMart by each person who places orders, and to reconcile those to Microstrategy reports at month end. This too may work better in small or centralized departments. Like the method in which each order is printed/filed, it can provide records by vendor, fund, activity, etc. for future reference. This can be particularly useful if done in a spreadsheet or other method which allows sorting and resorting by various columns. It does not use as much paper as the printing method, but it requires additional data entry, so it is not as efficient as the HokieMart history report.

For other types of non-HokieMart transactions, this objective must be achieved by keeping copies of and tracing to source documents, maintaining a log, or in some cases assessing reasonableness of monthly charges as described in the accuracy section.

B.7 Appropriateness and Allowability / Reasonableness and Necessity

No system can automatically detect inappropriate, unallowable, or unreasonable transactions. Human review and judgment is required. HokieMart and Microstrategy facilitate this review by providing clear, concise, and well-organized transaction reports in several formats and any range of dates requested. This allows the reports to be routed on an appropriate schedule to the responsible person with the best firsthand knowledge of the restrictions of the funding involved and the needs of the program or project. For grant/sponsored projects this should include the principal investigator, as noted in University Policy 3100. A Department Head or Financial Manager can delegate portions of this review but is still responsible for the adequate performance of the monthly review. Personnel who enter or prepare payment or deposit documents should NOT also perform this part of the review. Although HokieMart can aid the review process with additional queries, the review must be documented by signing the

Controller's Office Procedure certification on the last page of the "Snapshot by Organization Report" obtained from Microstrategy. Additionally, it should be noted that documentation of involvement with the principal investigator when reconciling grant/sponsored project funds is consistent with University Policy 3100.

Additional guidance/reference materials:

- Policy 3100, Fiscal Responsibility, <http://policies.vt.edu/3100.pdf>
- Policy 3255, Cost Transfers on Sponsored Projects, <http://policies.vt.edu/3255.pdf>
- Controller's Office Reconciliation Training Video:
<https://www.controller.vt.edu/training/opportunities.html> (click on the General Accounting tab, and select the "Department Reconciliation" training);
- Controller's Office Reconciliation Training PowerPoint Slides:
<https://www.controller.vt.edu/training/manuals.html> (click on the General Accounting tab, and select the "Department Reconciliation" training);