BEST PRACTICES FOR DEPARTMENTAL RECONCILIATION OF EXPENSE AND REVENUE
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What is Reconciliation?

A financial reconciliation is simply the comparison of two sets of information as of the same point in time. It is a reasonable business practice that is essential to the university. USF and colleges/departments need assurance that all assets are safeguarded and used to the best benefit of the university.

Why Reconcile?

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 any 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.

The reconciliation of departmental accounting records to the official USF financial reports 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
- Identify errors or duplications
- Identify transactions that have stalled and not posted
- Ensure that the official USF financial reports (Finance Mart) provide accurate information for use in planning and making business decisions
- Minimize risk
- Assist in fraud detection

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

Who Does Reconciliation?

An additional internal control to consider is Separation of Duties. Reconciliations should be performed by appropriate parties. Simply put, an individual who creates or controls a financial transaction is not the appropriate person to reconcile those transactions.

Consider this graph when identifying whether the appropriate person is performing reconciliation.
Reconciliation General 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 but no less than monthly. Guidelines concerning this process include the following:

- Reconciliations may be performed periodically (daily, weekly), but not less frequently than a monthly basis, depending on the needs of the department
- 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 preserved in accordance with USF records retention guidance
- The term reconciliation is used broadly to include cash and deposits, vendor expenditure, payroll, budget, PCARD purchases, travel authorizations and travel expense reimbursements, encumbrances (both requisitions and purchase orders), customer billings, accounts receivable, expenditure transfers, interdepartmental billings, and inventory

Questions for Departmental Managers and Accountable Officers

- Are departmental ledgers reviewed and reconciled to supporting documentation at least monthly?
- Is the staff performing the reconciliation separate from the staff who initiate and finalize transactions?
- Are reconciling differences, negative balances, and/or unsupported transactions investigated and corrected timely?
- Does management review charges recorded on the departmental ledger and inquire about unfamiliar charges?
- Is management’s review of the departmental ledger, reconciliation, and supporting documentation appropriately documented?
- Are encumbrances and disbursements reconciled with the departmental ledger?

What Do You Reconcile?

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
That RETs have cleared and posted correctly
A helpful GEMS query is U_PAYROLL_POSTING_ABRIDGED

Auditing Departmental Ledgers

It is important to audit Departmental Ledgers on a monthly basis. Run Payroll Registers and compare the totals from your register to your Departmental Ledger to complete the monthly audit.
For Operating Expenses verify:

The expense was recorded to the correct chart field string.
Expenditure transfers previously prepared have cleared and posted correctly
Auxiliary overhead has been charged correctly
Interdepartmental purchases have been posted correctly

For Purchase Orders and Requisitions verify:

All requisitions have been processed with purchase orders 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
POs for which final vendor payment has been made have been closed

For Revenue verify:

Revenue to all outside customers has been recorded to the correct chart field string (GL account 44xxx)
Interdepartmental revenue has been recorded correctly (using GL account 74xxx)
Revenue amounts are correct, matching support documents
All revenue and/or AR adjustments have been posted correctly
Revenue has been credited to both the AR module and general ledger
Correcting entries from previous reconciliations have been posted correctly

For Cash entries verify:

All deposits sent by the department to the Cashier have been posted
Payments received directly by the Cashier/Lockbox were applied to the correct customer invoice
Correction entries from previous reconciliations have been posted correctly

For Budget verify:

The correct amount was released to the chart field string
All budget transfers have been posted to the correct chart field strings
RSA balances on chart field strings show no negative balances

**Reconciliation Process**

Since department size and complexity varies significantly, there is not one set of specific fiscal procedures that fits all departments. Departments are advised to select the reconciliation format that best suits their need and use that format consistently. Options are available on the University Controller’s Office (UCO) web site. For sponsored research projects, consider the Rapid Reconciliation Tool™ found on the Sponsored Research web site. An adaptation of that tool is available for non-research funds on the UCO web site. A third tool designed for paperless reconciliation is also available on the same web site; this tool is most suitable for small volume departments or auxiliary funds.

The official financial reporting of USF is found in the Finance Mart reports. These reports are provided for business analysis and for reconciliation. Finance Mart reports are updated every evening from the data in FAST.

If discrepancies are noted during reconciliation and corrective action is required, these corrections must be taken in the accounting system (FAST).
### Finance Mart Report

<table>
<thead>
<tr>
<th>Finance Mart Report</th>
<th>Suitable for Reconciliation of</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA Summary</td>
<td>Budget</td>
<td>Any Funding Source</td>
</tr>
<tr>
<td>Budget Detail</td>
<td>Budget</td>
<td>Any Funding Source</td>
</tr>
<tr>
<td>Financial Report Summary</td>
<td>Revenue and Expenses</td>
<td>Auxiliaries and Research</td>
</tr>
<tr>
<td>Expense Detail</td>
<td>Expenses</td>
<td>Auxiliaries and Research</td>
</tr>
<tr>
<td>Revenue Detail</td>
<td>Revenue</td>
<td>Auxiliaries and Research</td>
</tr>
<tr>
<td>Encumbrance Summary</td>
<td>Purchases Orders</td>
<td>Any Funding Source</td>
</tr>
<tr>
<td>Encumbrance Detail</td>
<td>Purchase Orders</td>
<td>Any Funding Source</td>
</tr>
<tr>
<td>Balance Sheet Summary</td>
<td>Cash Receivables</td>
<td>Auxiliaries and Research</td>
</tr>
<tr>
<td>Balance Sheet Detail</td>
<td>Cash Receivables</td>
<td>Auxiliaries and Research</td>
</tr>
</tbody>
</table>

#### Examples of Finance Mart Reports

**RSA Summary**

![RSA Summary](image)

**Financial Report Summary**

![Financial Report Summary](image)
### Balance Sheet Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$500,000</td>
</tr>
<tr>
<td>Total Equity</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

### Encumbrance Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Encumbrance</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

### Payroll Detail

<table>
<thead>
<tr>
<th>Employee Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$50,000</td>
</tr>
<tr>
<td>Other Compensation</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total Pay</td>
<td>$60,000</td>
</tr>
</tbody>
</table>
### Expense Detail

#### University of South Florida
**For Month Ended Aug 31, 2020**

<table>
<thead>
<tr>
<th>Department</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense 1</td>
<td>$5,000</td>
</tr>
<tr>
<td>Expense 2</td>
<td>$3,500</td>
</tr>
<tr>
<td>Expense 3</td>
<td>$2,500</td>
</tr>
<tr>
<td>Expense 4</td>
<td>$1,000</td>
</tr>
<tr>
<td>Total</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

### Revenue Detail

#### University of South Florida
**For Month Ended Aug 31, 2020**

<table>
<thead>
<tr>
<th>Department</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue 1</td>
<td>$8,000</td>
</tr>
<tr>
<td>Revenue 2</td>
<td>$6,000</td>
</tr>
<tr>
<td>Revenue 3</td>
<td>$4,000</td>
</tr>
<tr>
<td>Revenue 4</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total</td>
<td>$16,000</td>
</tr>
</tbody>
</table>
### Budget Detail

**Operating Unit** | **Fund** | **Product** | **Initiation** | **Project** | **Fiscal Period** | **Balance FWD** | **Report D.** | **Last Closed Period**
--- | --- | --- | --- | --- | --- | --- | --- | ---
DRS1 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200

### Balance Sheet Detail

**Operating Unit** | **Fund** | **Product** | **Initiation** | **Project** | **Fiscal Period** | **Balance FWD** | **Report D.** | **Last Closed Period**
--- | --- | --- | --- | --- | --- | --- | --- | ---
DRS1 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200

### Encumbrance Detail

**Operating Unit** | **Fund** | **Product** | **Initiation** | **Project** | **Fiscal Period** | **Balance FWD** | **Report D.** | **Last Closed Period**
--- | --- | --- | --- | --- | --- | --- | --- | ---
DRS1 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200 | 9200
Basic Reconciliation Steps

1. Gather your resources
   a. Previous months reconciliation
   b. Finance Mart Report
   c. Departmental source documents
2. Review outstanding items from previous month; confirm the items cleared; carryover to current month if not
3. Compare source documents to Finance Mart Reports
4. Add items that did not clear to the list of outstanding items
5. Identify any errors
6. Balance departmental records with Finance Mart Report
7. Research outstanding items and errors
8. Prepare documents to address errors
9. Sign and date the reconciliation
10. Have your supervisor sign and date the reconciliation; Preserve the records for potential audit
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?

Separation of duties must be observed. This is achieved through FAST security roles. Separate security roles exist for requisition initiator, requisition receiver, and requisition approver. It is appropriate for a user to hold both the requisition initiator (USF_PO_REQINIT) and requisition receiver roles (USF_PO_RECVRTV). However, a user holding the requisition approver role (USF_PO_REQAPPR) may not also hold the receiver role.

• 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 FAST/Finance Mart?

Encumbrances and disbursements must be reconciled with Fast and/or Finance Mart. The disbursements are the vouchers that are created during the spending of funds from the chart fields. Encumbrances are commitments created when a Purchase Order or Travel Authorization has been issued. Finance Mart is the official financial reporting resource for USF.

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

The voucher ID can be reviewed in FAST in the Accounts Payable module. The path is Accounts Payable > Review Accounts Payable Info > Vouchers > Voucher. Be sure to use Business Unit “USF01” and type in the voucher number in the “Voucher ID” field; make sure to include the two leading zeros. Click Search and the detailed voucher information will appear at the bottom of the screen. (For more information on this task view the training section of the UCO web site). The voucher will display the vendor invoice number, invoice date, vendor ID, accounting entries, matching status, matching notes on the workbench, payment information, and an image of the vendor invoice.

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

University Payroll can offer help in getting errors resolved. A payroll retroactive expenditure transfer (RET) may be needed to correct a payroll error.

• 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. 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. Whoever” would help you to identify a purchase.
Resources / Contact Information

**Office of the Controller**
Phone: (813) 974-6061
Fax: (813) 974-4485
[https://www.usf.edu/business-finance/controller/](https://www.usf.edu/business-finance/controller/)

**General Accounting**
Fax: (813) 974-2622

**Tax Advisory Services**
Phone: (813) 233-2398 (Anne Jetmundsen)
Phone: (813) 835-2264 (Michelle Verdisco)
Fax: (813) 974-4485

**Payment Services**
aphelp@usf.edu (Accounts Payable questions)
travelhelp@usf.edu (Travel questions)

**University Payroll**