

Chapter 2: Reconciliation Guidelines & Records Retention

Account Reconciliation Overview

Reconciliation or verification of financial transactions is a key element of JHU's internal controls and is fundamental to sound business practices. A verification of all charges against a cost object, accompanied by any necessary corrections, ensures the accuracy of transactions.

The guidelines below represent *minimum expectations for reconciliation*, and are the guidelines Internal Audits will use when conducting audits of University departments. Divisions and departments are free to implement more rigorous procedures as desired.

In addition to the procedures outlined below, Internal Audits will review other information in order to evaluate the effectiveness of the monthly account management process.

Responsibility

Fiscal management rests with the department chairs, organizational managers, or principal investigators, but may be delegated to administrative staff. However, oversight of such delegated fiscal responsibilities remains with the department chairs, organizational managers or PI's and is confirmed by reviewing and verifying the monthly expenditure reports.

Administrative Review

- Department administrators or their designee(s) are expected to reconcile sponsored and non-sponsored accounts on a monthly basis. Prompt reconciliation increases your ability to identify errors and make timely corrections within 90 days without a late reason explanation.
- Administrators or budget analysts are expected to review/reconcile control salary accounts *at least once per month*, although our recommendation is that departments review control salary cost objects *after each semi-monthly pay*. Review should include assessment of both actuals and commitments.

Additionally, the Overpayment Report, the Procurement Card (P-card) default account, and the Deficit Cash Balance Report for Grants in BW should be reviewed by Department Administrators on a monthly basis.

- When the monthly reviews are complete, the reviewer should *signoff on the review* process, and date it. Suggestions for documenting the review process are provided in the next section.

Principal Investigator Review

- Principal Investigators are expected to review activity on their accounts after the monthly reconciliation is completed. A documented quarterly review by the Principal Investigator is suggested.

Documenting the Review Process

Since the decision on how to best manage work activities within departments is made by each Division, documentation of the review process is not standardized. As monthly reconciliation is completed, the reviewer should certify completion with a signature and date. The method of documentation can vary, but must include:

- Listing of cost objects reviewed
- Transaction types (in situations where the review is not done by the same person)
- Month being reviewed
- Corrective actions taken
- Date completed

As a best practice approach, the following steps are suggested:

- Gather materials, include prior month's expenditure reports with notations for corrections, etc. Print the pertinent BW reports or monthly emailed statements.
- Review monthly expenses and match to backup documentation. After review of postings, check off each line item and attach the necessary receipts and original documentation that relates to that month.
- Research discrepancies and missing documentation.
- Sign the expenditure report, date and file for review with the Principal Investigator. It is not necessary to include copies of documents that will reside in SAP. In conjunction with monthly reconciliation, recognizing document retention requirements is important.

Records Retention

Financial records (electronic and paper), supporting documents, statistical records, and all other records pertinent to a sponsored award (or tax return) shall be retained for a period of seven years from the date of submission of the final Financial Status Report (FSR). Financial reports, patent reports, technical reports and equipment reports are examples of other types of deliverables.

Departments need to be aware of any specific language in a contract that dictates the length of the record retention. If any litigation, claim, or audit is started before the expiration of the seven year period, the records shall be retained until all litigation, claims, or external audit findings involving the records have been resolved and final action taken.

Records for real property and equipment acquired with federal funds shall be retained by the Controller's Office for seven years after final disposition of such property and equipment. The Office of Finance will work with Research Administration offices to determine when final disposition occurred.

Correspondence and other documentation generated either internally between departments and the divisional research administration offices or externally between the awarding organizations and the University should be retained as part of the grant and contract files in compliance with these retention requirements. This includes documentation supporting journal vouchers, cost transfers, Effort reports, grant and contract awards and modifications to these awards.

While the university must retain sponsored documents for a period of seven years from the closeout of the award in order to remain compliant unless otherwise stipulated (above), non-sponsored financial records (electronic and paper), supporting documents, statistical records and all other pertinent records must also be retained for a period of seven years from the date of the fiscal year end. For example, FY08 records could be disposed of beginning in FY15.

Financial records may be maintained electronically. If supporting a federal contract, documents may be scanned, but the original must be maintained for a period of one year after scanning. In all other cases, the original documents can be discarded once scanned.

For transactions in which documentation is scanned into SAP as part of workflow (travel, online payments, etc.) the documentation can be discarded once the electronic documentation has been verified in SAP. For documentation not in SAP, departments may maintain those in hardcopy or electronically. If scanned, the original documentation can be discarded once scanned. In addition, the electronic versions should be maintained on a server that is actively backed-up for recovery purposes, as opposed to someone's hard drive.

Records Retained by the Office of Finance

Documents maintained by the Office of Finance include:

- Expenditure statements
- Validated deposit documents
- Journal vouchers
- Cost transfers, payroll and non-payroll
- Supporting documents for disbursements
- Effort reports
- Financial reports and invoices sent to Sponsors
- Scanned copies of documents that reside in SAP:
 - ◆ Online payment requests for non-purchase order payments
 - ◆ Recurring Payments

Documentation on Service Center charges is maintained by the office that originates the charges. The Office of Finance does not retain documentation on Procurement Card charges.

Records Retained Centrally

The Office of Finance's Document Management System maintains records that include:

- All award documents
- All award modifications
- Prior approval documentation

COEUS and MyRAP contain proposal and negotiation records as backup.

Records Retained by Departments

Departments must retain:

- Original proposals and budgets
- Copies of technical reports submitted to the sponsor
- Evidence of monthly review of expenditures on all accounts
- Original documentation (packing slips & receipts) supporting all Procurement Card and American Express Executive Card expenditures
- Evidence of goods receipt (packing slips/receipts) for all non-Procurement Card expenses

- ❑ Original documentation for travel expenses
- ❑ Original documentation for Service Center requests/charges

Departments are responsible for retaining original documentation. Original receipts and other documents can be maintained electronically. If supporting a federal contract, documents may be scanned, but the original(s) must be maintained for a period of one year after scanning. In all other cases, the original documents can be discarded once the transaction has been processed.

Again, for transactions in which documentation is scanned into SAP as part of workflow (travel, online payments, etc.) the documentation can be discarded once the electronic documentation has been verified in SAP. For documentation not in SAP, departments may maintain those in hardcopy or electronically. If scanned, the original documentation can be discarded once scanned. In addition, the electronic versions should be maintained on a server that is actively backed-up for recovery purposes, as opposed to someone's hard drive.

Risk Based Account Reconciliation

With the implementation of SAP in FY 2007, the university moved toward a more risk-based review process, which allows users to focus attention on higher-risk transactions. It is expected that departments review accounts being mindful of the type of transaction, the workflow associated with the transaction, including a review of both initiator and approver, what their relationship to the grant is, and being comfortable that the transaction is allowable.

Electronic Reconciliation

Departments are also encouraged to perform electronic reconciliation. Information to support the monthly reconciliation should be stored in the same folder or server, which is backed up on a regular basis. Evidence of the individual performing the reconciliation and the date completed can also be recorded in an electronic format.

