After-the Fact Review of Financial Transactions Guidelines

Responsible Office: Comptroller’s Office

The guidelines set forth below summarize the minimum requirements for performing an after-the fact review of financial transactions. The guidelines are not meant to replace existing additional requirements set by each School, College, and Department.

**Guideline Statement**

After the fact reviews can be very powerful, and departmental staff, with their direct knowledge of the activities and programs in their departments, are ideally situated to evaluate whether transactions posted to their accounts are accurate, complete, and posted to the appropriate account, to raise questions about unusual or inappropriate transactions, and to inform their managers of variances from budget, or significant changes in actuals from one year to the next.

Historically, guidelines for review of financial transactions have been set by each School, College, or Department. With the change to the SAP system, and the introduction of the Concur system, the control environment has changed, with the introduction of more automated controls in some areas, and with greater reliance on after-the-fact controls in other areas. As departments update their own review processes to align with these new systems, here are some guidelines to structure an effective review process.

**Reason for the Guidelines**

The purposes of the guidelines are to:

- Ensure that transactions posted to the general ledger are accurate, complete, and recorded in the appropriate account.
- Identify and resolve questions about unusual or inappropriate transactions.
- Inform management of variances from total budget, or significant changes in actuals from one year to the next.
  - It is important to note that timing should be considered before variances to budget are escalated to management. Specifically, if an unplanned budget increase has been approved, it takes time to route through the system for update.
  - Additionally, it is very important to ensure that Sponsored Research account spending aligns with the awarded budget. Questions will be raised where actuals to the awarded sponsored program budget is accelerated, lagging, or inconsistent.

**Who Should Know These Guidelines?**

Financial managers in University Schools, Colleges, Departments, Centers, Institutes, and Programs (“University Departments”) that generate financial transactions should review and understand these guidelines.
Definitions

For purpose of these guidelines, “financial transactions” mean all financial activity (actuals and commitments) posted to unrestricted, designated, and restricted accounts. Restricted accounts include: gift accounts, endowment spendable, and sponsored research.

Responsibilities

See “Guideline Statement”

GENERAL GUIDELINE STANDARDS FOR AFTER-THE-FACT TRANSACTION REVIEW

(1) Frequency. An effective review and reconciliation process should generally happen every month, as close to after the end of the month as possible. (Please note that several University jobs that post financial activity run after the calendar month has ended. Consequently, on a typical month it is best to review your accounts after the 6th business day of the month to ensure completeness. The fiscal year end closing schedule differs from the typical month end closing schedule. Refer to the Fiscal Year Closing Memo for key due dates to ensure a smooth, fast, and accurate close.)

(2) Risk and Materiality. The details of the review process in each department can vary, depending on the nature of the activity in that department. In all departments, more time and attention should be spent on higher risk, higher dollar transactions; and those where the risk of error or compliance issues is greater; and each department has to determine a materiality level for their reviews, and this will vary.

➢ An understanding of the overall control environment, including system controls and controls in the department, is important in shaping the review process. Transactions when the system requires review by your cost center approver before payment are lower risk, and may require only a review for reasonableness, but for transactions that can be posted without your cost center approval may require matching to the source document. (See Attachment A.)

➢ Materiality is also an important consideration; a small dollar transaction may need only a review for reasonableness, whereas an unexpected journal entry for a large dollar amount requires more follow-up. Potentially unallowable costs on sponsored research should be evaluated regardless of the amount.

(3) Formalizing Process. The review process itself should be documented in writing. Additional materials have been included within these guidelines to assist in formalizing your reviews. (See Attachment A for the Checklist of Common Transactions and Document Types, Attachment B to view the After the Fact Review Tracking Sheet, Attachment C to view a list of University contacts, and Attachments (D, E, and F1 – F4) for examples of review templates with instructions.)

(4) BW Report Resources. There are several reports within the Business Warehouse that can assist with review of non sponsored research accounts. These include, but are not limited to:

• Unrestricted Budget to Actual by FC – GL/CI Detail report,
• Designated/Restricted Balance & Activity – GL/CI Detail report,
• Transaction Detail report,
• Transaction Detail w/Payroll Detail report, and the
• Student Account Posted Detail – to review YS documents detail transactions
The following reports, located in the Grants Management (Distributed) folder should be used to review sponsored research activity:

- Budget vs Actuals
- Employee Labor Distribution by Grant
- Grant Document for Commitments
- Grant Document for Expenditures

Objectives. Each department’s review and reconciliation process should be designed to meet these objectives:

- Transactions must be appropriate and allowable, representing revenues and expenses for activities for the department and are recorded using the correct accounts (e.g.: cost center, internal order, and general ledger account) and in the correct time frame. In general, revenue is recorded once it has been earned and expenses are recorded once they have been incurred (e.g.: goods and services have been received.)
- Transactions must be recognizable and represent items that were authorized and approved by a departmental approver. (In many cases this is the manager or supervisor.) On the other hand, it is key to consider if any expected transactions are missing.
- Transactions must be supported by adequate documentation.
  - If processed in SAP with workflow, all appropriate documentation is contained within the system, e.g.: HCM forms, shopping carts, journal entries.
  - Other significant or material items without electronic workflow that you do not recognize must be compared to supporting documentation to confirm transactions were authorized (e.g.: ISR or disbursement requests).
- The transaction dollar amounts are reasonable and do not exceed available funding.
- Open commitments that represent goods and services received and invoiced/expensed must be closed.
  - To close shopping cart and purchase order commitments, contact sourcing@bu.edu.
  - To close ISR/FSR commitments, contact the internal service provider directly.
  - To close a Sponsored Program Fund Reservations (FRNs) for subawards contact your Post Award Financial Operations Research Administrator (PAFO RA): [http://www.bu.edu/researchsupport/contact/directory/](http://www.bu.edu/researchsupport/contact/directory/).
- Discrepancies must be followed up and resolved within a timely manner, with the resolution documented. (See “Resolving Errors” section below.)

Your review may highlight a correctly posted revenue and/or expense item that may require a budget adjustment of your unrestricted budget. Please contact your budget analyst to confirm if a budget realignment is appropriate for the unrestricted accounts or if the change must be submitted as part of the quarterly confirmation process.

For questions about your sponsored research accounts budgets, please contact the Sponsored Programs office.
The After – The-Fact Review Checklist (Attachment A) contains questions to consider as you review and analyze financial activity.

**Templates**

A series of template examples with instructions have been created to assist with the review process. Departments are not required to use these template examples, however, they must ensure that their documented after-the-fact reviews meet the general guideline standards noted above. As previously stated, the guidelines are not meant to replace existing additional requirements set by each School, College, and Department.

In some scenarios, existing templates used by departments may need to be modified slightly to meet the general guideline standards. If a department has specific questions about updating their existing templates or needs help implementing new templates, they can contact Susie Mankiewicz, Associate Comptroller for Reporting & Information Systems at smankiew@bu.edu or 617-353-1076 for assistance.

<table>
<thead>
<tr>
<th>Template Examples</th>
<th>Attachment Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Accounts</td>
<td>D - Basic Template</td>
</tr>
<tr>
<td>Designated Accounts</td>
<td>E - Shared Designated Accounts Template</td>
</tr>
<tr>
<td>Sponsored Research</td>
<td>F1 – Grant Budget vs. Actual</td>
</tr>
<tr>
<td></td>
<td>F2 – Grant Employee Labor Distribution by Grant (SP Level)</td>
</tr>
<tr>
<td></td>
<td>F3 – Grant Document for Expenditures</td>
</tr>
<tr>
<td></td>
<td>F4 – Grant Document for Commitments</td>
</tr>
</tbody>
</table>

**Understanding and Resolving Errors**

**Understanding Errors**

In addition to identifying errors, it is important to understand the nature and frequency of errors. Errors may help in detecting if there are specific transactions that are confusing, requiring additional training or system updates; or if a process needs to be adjusted to prevent future errors.

If there are recurring errors, it is important for you contact the responsible party to prevent future errors. If you are unsure who to contact, you can reach out to Susie Mankiewicz, Associate Comptroller for Reporting & Information Systems at smankiew@bu.edu or 617-353-1076 for help in determining who would be the best point of contact to assist in resolving these recurring errors.

**Resolving Errors**

When an error is identified it must be resolved in a timely manner. It is a good business practice to resolve errors within the month of being identified. This will help to ensure that the financial data used in reporting and invoicing are accurate.

It is also important to note that any material errors for actual postings must be corrected timely to ensure that the University’s financial statements are appropriately stated. If you have questions about material errors affecting non sponsored research expenditures please contact Donna Lane at dblane@bu.edu or 617-353-7775.
It is imperative that Sponsored Research expenditures are accurately recorded, reported, and invoiced in accordance with University policy and sponsor regulations. Refer to the Policies and Procedures posted on the BU Research Support website for additional information. For further assistance regarding administration of grant expenses please contact your Research Administrator.

Additional University contacts can be found at Attachment C.

Training

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In Person</td>
<td>Please contact Susie Mankiewicz, Associate Comptroller for Reporting &amp; Information Systems at <a href="mailto:smankiew@bu.edu">smankiew@bu.edu</a> to schedule</td>
</tr>
<tr>
<td>Online</td>
<td>Online training materials can be found at:</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.bu.edu/cfo/files/2018/03/Presentation_AFR-Training.pdf">http://www.bu.edu/cfo/files/2018/03/Presentation_AFR-Training.pdf</a></td>
</tr>
<tr>
<td>Individual</td>
<td>Please contact Susie Mankiewicz, Associate Comptroller for Reporting &amp; Information Systems at <a href="mailto:smankiew@bu.edu">smankiew@bu.edu</a></td>
</tr>
</tbody>
</table>