Boston University Financial Affairs Training Series

After the Fact Review Guidelines

Presented by:

Susan E. Mankiewicz, CPA, CIA
Associate Comptroller for Reporting & Information Systems

Gretchen Hartigan
Assistant Vice President, Post Award Financial Operations

Jennifer Rogers
Training Manager, Post Award Financial Operations
Agenda

• Introductions
• Background
• Things to take away
• Warm up activity
• New Guidelines
• Resources
• Conducting the review
Things to take away from the training

• Reviewing accounts is very important

• Templates and guidelines are available.
  o *The guidelines are not meant to replace existing additional requirements set by each School, College, and Department.*
  o *The templates are not mandatory. If you have a process that works well and meets the basic principles that we discuss, continue to use it.*

• Retain evidence of your reviews.
  o *However, beginning in calendar year 2018, you do need to keep documentation of what you reviewed for audit purposes and as a good business practice. We’ll go over an example of what to Track shortly.*

• Set up a regular review schedule for yourself, and stick to it
Warm Up Activity

• Introduce yourself and your job role.
• How frequently do you use SAP (web GUI)?
• How frequently do you use the Business Warehouse (BW)?
Why is it important to review financial activity?
Why we need after-the-fact review

• Ensure accuracy and completeness of transactions
• Spot unusual or inappropriate transactions
• Inform management of variances from total budget, or significant changes in actuals from one year to the next
• Check that Sponsored Research account spending aligns with the awarded budget
After-the-Fact Review of Financial Transactions Guidelines

Guidelines are posted here:
http://www.bu.edu/cfo/after-the-fact-review/

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.
Terminology and definitions

Financial Transactions

All financial activity is covered within the guidelines.

Commitments

Commitments are amounts we are obligated to spend in the future.

Actuals

Actuals represent activity that has already been paid (expense) or earned (revenue).
Terminology and definitions

**Unrestricted accounts**

*Unrestricted* accounts in most instances represent the department budget.

**Designated accounts**

*Designated* accounts are created when institutional funding is set aside for a purpose that extends over multiple fiscal years.

**Restricted accounts**

*Restricted* accounts include: gift accounts, endowment spendable, and sponsored research.

**Material**

A *material* transaction is a financial transaction that has a significant impact to a department’s bottom line. (Note: Potentially unallowable costs on sponsored research should be evaluated regardless of the amount.)
Guideline Standards
Key points when completing your review

- Frequency
- Risk and Materiality
- Formalizing the Process
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.
Risk and Materiality

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. (Remember: Potentially unallowable costs on sponsored research should be evaluated regardless of the amount.)

We’ll discuss examples of risk and materiality on the next slides.
Risk and Materiality

An understanding of the overall control environment, including system controls and controls in the department, is important in shaping the review process.

Transactions that require system approval by your cost center approver before payment

Transactions that can be posted without your cost center approval
Materiality is also an important consideration; a small dollar transaction may need only a review for reasonableness, whereas an unexpected P.card transaction for a large dollar amount requires more follow-up.
Formalizing the Process

The review process itself should be documented in writing. This can be either in paper or electronic form.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roger Smith</td>
<td>01/06/2018</td>
</tr>
</tbody>
</table>
Questions

• If you recognize a transaction do you pull the supporting documentation?

• What do you do if you don’t recognize the transaction? Does materiality matter?
Examples of High Risk Transactions

- Incorrect amounts or missing activity.
- Unidentifiable charges.
- Transactions that were not initiated or approved by your department.
- Personal expenses.
- Employee has incorrect work-schedule (e.g.: part time faculty used to work in fall semester, but now works in spring semester).
- Fraudulent charges.
Examples of High Risk Transactions (continued)

- High volume of low dollar transactions. May indicate that someone is trying to circumvent the workflow and approval process.
  - Purchase Orders under $5,000
  - P-card under $1,000
  - Shopping cart under $500
- Current employee not moved to correct funding source timely.
- Former employee not terminated in SAP timely resulting in an overpayment.
Resources
Checklist for Common Transactions and Document Types (Attachment A)

• See handouts

<table>
<thead>
<tr>
<th>Area</th>
<th>Document Type</th>
<th>Process</th>
<th>Examples of High-Risk Transaction(s)</th>
<th>Review and Analytic Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Expenses</td>
<td></td>
<td>Processed through personal auto</td>
<td>Former employee not terminated in SAP</td>
<td>How the total expense look reasonable and within funding?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Forms in SAV.</td>
<td>timely resulting in an overpayment.</td>
<td>A. Are the right people being charged against your accounts?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Current employee not moved to</td>
<td>Employee has incorrect work schedule (e.g., part time faculty used to work in full semester, but now works in spring semester).</td>
<td>B. Are the amounts paid correct?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>correct funding source now.</td>
<td></td>
<td>C. Are the correct accounts being used (e.g., cost center, internal order, and general ledger account)?</td>
</tr>
<tr>
<td>Non-Payroll Expenses –</td>
<td></td>
<td>Processed through journal entry</td>
<td>Transactions that were not initiated or approved by your department.</td>
<td></td>
</tr>
<tr>
<td>Journal entries/or upload</td>
<td></td>
<td>and it upload workflow in SAV.</td>
<td>See instructions to view journal entry/it upload workflow.</td>
<td></td>
</tr>
</tbody>
</table>

For Sponsored Research:

- Is the expense within the appropriate Sponsored Research period of performance?
- Is the expense within the appropriate Sponsor’s Review period of performance?
- Are the transactions recorded in compliance with University and sponsor regulations, and with the terms of the particular grant?
- Are the transactions recorded in compliance with University and sponsor regulations, and with the terms of the particular grant?
- Are the transactions recorded in compliance with University and sponsor regulations, and with the terms of the particular grant?
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, the documented after-the-fact reviews must meet the general guideline standards.
  
  • If you have a process that works for you, and it meets the general guideline standards, then continue to use what you have.
  
  • As previously stated, the guidelines are not meant to overwrite existing additional requirements set by each School, College, and Department.

• We will discuss these templates in a bit more detail later on in the training.
Tracking Sheet

You are required to record key data found in the After-The-Fact Review Tracking Sheet.

An example of key data found in the Tracking Sheet is as follows:

<table>
<thead>
<tr>
<th>Accounts*</th>
<th>Name / Title</th>
<th>Reconciled By</th>
<th>Period Reviewed</th>
<th>Date</th>
<th>Open Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1234567890</td>
<td>Any Department 1</td>
<td>Roger Smith</td>
<td>5/1/2016 – 5/31/2016</td>
<td>6/15/16</td>
<td>No</td>
</tr>
<tr>
<td>1245678901</td>
<td>Any Department 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1256789012</td>
<td>Any Department 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9091234567</td>
<td>Dr. Jones' Designated Account</td>
<td>Sandra Johnson</td>
<td>5/1/2016 – 5/31/2016</td>
<td>6/15/16</td>
<td>No</td>
</tr>
<tr>
<td>9098901234</td>
<td>Dr. Rogers' Designated Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounts* = cost center, internal order, general ledger account, etc...
If you have a tracking mechanism that works that contains the key data recorded in the After-The-Fact Review Tracking sheet, continue to use your tracking mechanism.

Your After-The-Fact Review Tracking Sheet (or your equivalent tracking mechanism) may be reviewed as part of an audit performed by Boston University’s Internal Audit and Advisory Services department.

Retain your After-The-Fact Review tracking sheets (or your equivalent tracking mechanism) in your records for 7 years.
question?

• What do you need to keep as evidence of your review?
For how long?
BW Report Resources

Non sponsored research (everything but grants)

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
BW Report Resources - Non sponsored research (everything but grants)

Transaction detail for Document Type YS can be viewed on the Student Account Posted Detail report located in the Accounts Receivable – (Distributed) Folder.
BW Report Resources
Sponsored Research

- Budget vs Actuals
- Employee Labor Distribution by Grant
- Grant Document for Commitments
- Grant Document for Expenditures
The SIX objectives to meet during your review and reconciliation process
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Appropriate and allowable</td>
</tr>
<tr>
<td>2.</td>
<td>Recognizable and approved</td>
</tr>
<tr>
<td>3.</td>
<td>Supported with documentation</td>
</tr>
<tr>
<td>4.</td>
<td>Reasonable</td>
</tr>
<tr>
<td>5.</td>
<td>Closed out, if applicable</td>
</tr>
<tr>
<td>6.</td>
<td>Resolved, if applicable</td>
</tr>
</tbody>
</table>

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.)
1. Appropriate and allowable
2. Recognizable and approved
3. Supported with documentation
4. Reasonable
5. Closed out, if applicable
6. Resolved, if applicable

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, is any activity missing that you would expect to see?
Are these transactions…

1. Appropriate and allowable
2. Recognizable and approved
3. Supported with documentation
4. Reasonable
5. Closed out, if applicable
6. Resolved, if applicable

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).
Are these transactions...

1. Appropriate and allowable
2. Recognizable and approved
3. Supported with documentation
4. Reasonable
5. Closed out, if applicable
6.Resolved, if applicable

The transaction dollar amounts are reasonable and do not exceed available funding.
Are these transactions...

1. Appropriate and allowable
2. Recognizable and approved
3. Supported with documentation
4. Reasonable
5. Closed out, if applicable
6. Resolved, if applicable

Open commitments that represent goods and services received and invoiced/expensed must be closed.
<p>| | |</p>
<table>
<thead>
<tr>
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<tr>
<td>6.</td>
<td>Resolved, if applicable</td>
</tr>
</tbody>
</table>

Discrepancies must be followed up and resolved within a timely manner, with the resolution documented.
Identifying & resolving errors

**Understanding 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.

**Resolving Errors**

When an error is identified it must be **resolved** in a timely manner. It is 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.
Activities

- Exercise 1: Reconciling Sponsored Research (Payroll)
- Exercise 2: Reconciling Sponsored Research (Non-Payroll)
- Exercise 3: Reconciling Unrestricted Account
- Exercise 4: Reconciling Unrestricted Account – Commitment
- Exercise 5: Reconciling a Designated Account
Exercise 1: Reconciling Sponsored Research Payroll

You run the Employee Labor Distribution by Grant report to review payroll on Internal Order number 950xxxxxxx, which was effective from August 1, 2016 – August 31, 2017.

Q1:
You notice that Denzel’s pay on 06/09/2017 is twice as much as other weeks and there is no pay for the prior week. Is this ok? If not, how do you resolve?
Exercise 1: Reconciling Sponsored Research Payroll

You run the **Employee Labor Distribution by Grant** report to review payroll on Internal Order number 950xxxxxxx, which was effective from August 1, 2016 – August 31, 2017.

Q2:
You see Lucy Lui on the report and you don’t recognize the name. Who should you contact to resolve?
Exercise 1: Reconciling Sponsored Research Payroll

You run the Employee Labor Distribution by Grant report to review payroll on Internal Order number 950xxxxxxx, which was effective from August 1, 2016 – August 31, 2017.

Q3:
You notice Julia was paid on 9/06/17, which falls outside the available date range of Internal Order Number 950xxxxxxx. What do you do?
Exercise 2: Reconciling Sponsored Research non-Payroll

You run the **Grant Document for Expenditures** report to review expenses on Internal Order number 950xxxxxxx, which was effective from **March 1, 2016 – March 31, 2017**.

Q1:
You see domestic and foreign travel included, but foreign travel wasn’t budgeted in the proposal. What do you do?
Exercise 2: Reconciling Sponsored Research non-Payroll

You run the **Grant Document for Expenditures** report to review expenses on Internal Order number 950xxxxxxx, which was effective from *March 1, 2016 – March 31, 2017*.

Q2:
You notice conference fees on the report, but these aren’t allowable according to the rules of the Grant. What do you do?
Exercise 2: Reconciling Sponsored Research non-Payroll

You run the Grant Document for Expenditures report to review expenses on Internal Order number 950xxxxxxx, which was effective from March 1, 2016 – March 31, 2017.

Q3:
You see a charge for $875.00 from Multiwave, a vendor that you don’t recognize? What do you do?
Exercise 3: Reconciling Unrestricted Account

Payroll
The following individuals are employees working for Any Department during the time period under review:

• Amy Adams
• Todd Jones

Sally Smith left Boston University on August 1, 2017.

Q1:
You run the Transaction Detail w/Payroll Detail report for October FY 2018 and note all three employees are paid. Is this okay? What do you do?
Exercise 3: Reconciling Unrestricted Account Payments to Vendors

Q2:
You are reviewing your Transaction Detail report and don’t immediately recognize the following activity. What do you do?

<table>
<thead>
<tr>
<th>Funds Center</th>
<th>GL/Commitment Item</th>
<th>Document Type</th>
<th>PO dict number</th>
<th>Vendor</th>
<th>SIC Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456789</td>
<td>ANY DEPARTMENT</td>
<td>INVOICE</td>
<td>5172045657</td>
<td>Office Depot Inc.</td>
<td>80000000</td>
<td>765.50</td>
</tr>
<tr>
<td>123456789</td>
<td>ANY DEPARTMENT</td>
<td>PURCHASE ORDER</td>
<td>8123456789</td>
<td>Army Consulting Co.</td>
<td>-</td>
<td>2,575.00</td>
</tr>
</tbody>
</table>
Exercise 3: Reconciling Unrestricted Account

Journal Entry

In the month of September, you reviewed your Transaction Detail report and noticed that the $575 transaction for the vendor James Jones Consulting was erroneously recorded as 519999 Unclassified Expense and you performed journal entry (entry 1002519170) in October to reclass the activity to GL 515000.

Q3:
You review the October report and notice that entry 1002519170 is not recorded. What do you do?
Exercise 4: Reconciling Unrestricted Account - Commitments

Using your Transaction Detail Report, you reviewed your department’s commitments and noted that all work related to ISR was complete, but commitments are still open.

Q1: What are your next steps?

Contact your internal service request provider. Link can be found at: http://www.bu.edu/tech/files/2016/01/ISR-Provider-Listing-with-GL-Recovery-CO.pdf
Exercise 5: Reconciling other restricted accounts

Using your Transaction Detail Report, you review your other restricted accounts (e.g.: gifts, designated, and endowment spendable accounts) and identify transactions that you are not familiar with.

You review the supporting transactional source documents (e.g.: AP Disbursement forms, etc.) and determine the transactions indeed belong to activity approved by your department.

Q1:
What else do you need to consider to ensure that these transactions are appropriately recorded?
Templates covering reviewing unrestricted, restricted (non sponsored research), and sponsored research activity have been created and will be posted with the guidelines.

In today’s training, we will walk through two sponsored research templates.
Who to contact?

When you are unable to resolve a question related to your After-The-Fact-Review within your department and need assistance from a central university department, please refer to the Central University Contacts listed on Attachment C.
Things to take away from the training

- Reviewing accounts is very important.
- Templates and guidelines are available.
  - The guidelines are not meant to replace existing additional requirements set by each School, College, and Department.
  - The templates are not mandatory. If you have a process that works well and meets the basic principles that we discussed, continue to use it.
- Retain evidence of your reviews.
  - However, beginning in calendar year 2018, you do need to keep documentation of what you reviewed for audit purposes and as a good business practice.
- Set up a regular review schedule for yourself, and stick to it.

Let us know any comments, questions, concerns!

- Email: smankiew@bu.edu
- Feedback Survey
- Additional Training