



# **Business Process Compliance Program**

## **General Accounting Standards**

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# General Accounting Standards

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# General Accounting Standards

## Summary Discussion

The General Accounting Business Process Standards were established based on recommendations from a UNC Operational Assessment Study Report released in October 2008. The report recommended that basic uniform standards for the business processes at the constituent institutions be established and monitored, and that training be provided by the System Office.

The initial business processes for which uniform standards were built were determined by an oversight steering committee and directed by a project management office. As the standards were built, best practices were determined in consultation with subject matter experts. An advisory team made up of selected financial officers were gathered together to review and provide comments on the draft standards prior to their official release.

The General Accounting Business Process Standards include the following process topics: (I) Bank Account Reconciliation, (II) Journal Entries, (III) Maintain Fund Accounts, (IV) Maintain Daily Cash, (V) Month End Close, and (VI) Year End Close. In addition to these process topics, the advisory team suggested and built standards for (VII) Sending Guidelines.

### Process I - Bank Account Reconciliation

The Bank Account Reconciliation process serves as an important mechanism to confirm the accuracy of the financial data by ensuring that the University's accounting records are in agreement with the bank's records. It helps to identify and record transactions that have been posted to the bank records but have not yet been posted or have been posted differently to the accounting records. These include transactions that did not originate in the University's accounting system, such as bank charges, interest payments, dishonored checks, direct deposits/debits and credit card transactions. The reconciliation also identifies unrepresented checks and deposits that have not yet been recorded by the bank. In addition, bank reconciliation also helps to identify errors that the bank made in processing deposits and payments and/or unauthorized transactions.

UNC universities maintain a number of bank accounts to safeguard, manage and account for cash activities. It is the responsibility of the University's Controller's Office to ensure bank accounts are reconciled monthly to the General Ledger, and to track all outstanding items, including discrepancies, to satisfactory resolution in a timely manner. This document applies to the following accounts: (1) the State Treasurer Disbursing Accounts, (2) the State Treasurer Short Term Investment Fund Accounts (Trust Funds), (3) Non-State Treasurer Disbursing Accounts (Imprest Accounts), and (4) Return Check Clearing Accounts. The return check clearing account may not be a bank account but rather a general ledger process account that is related to bank activities that are not included in the bank reconciliations.

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## Process II - Journal Entries

The Journal Entries process serves as the source for recording transactions to the general ledger. Journal entries are authorized and initiated from various sub systems/processes and for various purposes. Such subsystems/processes would include subsystem activities and feeds (student accounts, student loans, auxiliary systems, internal service charges/adjustments, allocations, accounts payable, check writes, deposits, etc.). In addition, journal entries are made to record transactions to the general ledger that are not otherwise provided for in a subsystem (such as internal sales transactions or year-end accounting transactions) or that are for reclassification, reimbursement, correction, allocation, or fund transfer purpose.

Process reconciliations on all significant accounts are necessary to ensure that errors are recognized, and correcting journal entries are made timely. Reconciliations are discussed in more detail in the Maintain Daily Cash, Month End Close and Year End Close standards. Together, the reconciliations and journal entry processes serve as a way to validate the integrity and accuracy of the data recorded in the general ledger. It is the responsibility of the University Controller's Office and the College/Department Finance Office to ensure that proper personnel are reconciling assigned accounts and that the reconciliation and journal entry processes are properly and timely performed, supervised and documented.

## Process III - Maintain Fund Accounts

The Maintain Fund Accounts process serves the University's accounting system by ensuring that only the appropriate and authorized fund accounts are established and active at all locations. It provides for the proper authorization and system access in the maintenance of its data fields and in the creation of new fund accounts and requires authorized trust fund authorities to be updated or deleted as necessary.

The process also ensures that proper accounting structure, attribute codes and crosswalk tables or the Banner Account Hierarchy Codes exist to assist in the University's various reporting needs and that the University has appropriate preventive or detective controls to minimize data field errors and negative fund balances.

The UNC System universities use the fund accounting concept. Under this concept, accounting is provided for and established at the activity level within a fund. The activity level represents the base or foundation level for which attribute values are assigned for accounting and reporting purposes. Attribute values may include data fields that identify an activities purpose/program code, the organizational unit responsible for the activity, as well as other identifying codes for various accounting and reporting objectives.

The chart that follows provides the various financial accounting terms used in the different accounting systems currently in place in the UNC University System. In the executive summary and in the standards which follow, the use of the term "Fund Accounts" represents the accounting term Fund and Activity (within a Fund).

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Accounting Term	Banner System	PeopleSoft System - NCSU	PeopleSoft System – UNC-CH
Data Field	Chart of Accounts	Chart Field	Chart Field
Fund	Fund #	Project Reference #	First 3 Digits of the Fund#
Activity (within a Fund)	Fund #	Project ID #	Source# or Project ID (C&G and CI Funds only)
Category of Fund Activity	First Digit of the Fund # (Fund Type #)	First Digit of the Project ID # (Ledger #)	First 2 Digits of the Fund#
Purpose of an Activity	Program #	Program #	Last 2 Digits of the Fund#
Natural Classification	Account #	Account #	Account #
Organizational Unit Responsible for the Activity	ORG #	Department #	Department #
Journal Type	Rule Code	Source Code	Prefix to the Journal Entry
Financial Statement Class	GASB Code	Class Code	Attribute Codes (i.e. GASB)

The University of North Carolina System web site provides guidance for universities in the development of their chart of accounts including account code numbers, titles and definitions for purpose classifications, expenditure classifications and revenue classifications.

*See the [University of North Carolina Chart of Accounts](#) on the University system website.*

## Process IV - Maintain Daily Cash

The Daily Cash Management process serves as the business functions for which a university (a) receives and deposits funds, reconciles deposits to one or more State Treasurer designated depository bank accounts, transfers, and certifies the deposited funds to the appropriate operating account, records deposits, and/or credits not yet recorded, and/or makes adjustments as necessary to balance cash and bank activities; (b) determines funding needs for disbursements, requisitions funds for authorized disbursements from the appropriate state administered allotment accounts and makes transfers from STIF trust fund accounts to cover its authorized disbursements; and (c) transfers funds from, or to, other state agency or university bank accounts that are recorded on the North Carolina Financial System (NCFS) maintained by the Office of State Controller (OSC). Information including authorized appropriations, approved allotments, deposits (including deposited receipts, ACH deposits, wire transfers-in, and transfers from the STIF account), approved requisitions and transfers from or to state agencies / universities are recorded in NCFS.

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Each university is required to have a State Treasurer (DST) approved depository account(s) at a financial institution(s) designated by DST, to accommodate the various types of deposits made by the University. Such accounts may include separate depositories for its normal deposits (checks and cash receipts), inbound ACH or Wire-Transfers receipts, collections by third party service providers, merchant card deposits, as well as other accounts as deemed necessary. In some cases, the remote deposit process (scanning) is used to process paper check receipts. The DST has formal agreements with six statewide commercial banks to function as cash concentration banks, referred to by DST as “Main Banks” (MB), which serve as eligible official depositories. The six MBs are Wells Fargo, BB&T, First Citizens, PNC, BOA and SunTrust. Other local banks or community banks, referred to as “Non-Main Banks” (NMB) are also eligible to be designated by DST as an official depository.

The procedures DST uses to process deposits made by CBs are different than the procedures used to process deposits at MBs. Accounts maintained at NMBs are stand-alone accounts, while accounts maintained at MBs are “Zero Balance Accounts” (ZBAs). Each university depositing to a MB is assigned a six-digit location code or “Agency Certification-in-Transit/location code” (CIT) number, which serves as the “bank account” used when certifying a deposit through NCFs. A university depositing to a NMB uses the actual bank account number when certifying a deposit through NCFs. This difference in procedures has an effect on how a university is able to reconcile deposits through DST’s Core Banking System (CBS). A university is able to view the details of its CIT account or location code activity on CBS (for deposits made to a MB) but cannot view the deposit activity made to a bank account made at a NMB. Reconciliation of deposit activity in a MB account can be performed daily, assisted by an “Unmatched CIT Bank Deposits Report” available online from CBS. Reconciliation of deposit activity in a NMB account cannot be made by the DST until after the month’s end, when DST receives a monthly bank statement from the financial institution and performs the matching process.

Each MB bank provides for a daily overnight sweep of cash funds from the ZBA accounts to the DST’s Main Bank Account, as well as providing for the transmission of a “BAI” electronic file containing the details of the sweep transactions (the next day by 10:00 a.m.). DST posts these bank-reported transactions to the university’s CIT account on CBS, to be matched against the university-reported deposits submitted via NCFs. For a NMB account on the other hand, funds remain in the stand-alone bank account until the funds are certified by the Institution in NCFs. DST then initiates an ACH debit transaction to withdraw the funds.

The University uses the certification of deposit process via NCFs to not only report to DST the bank account to which the funds were deposited, but to also report to both DST and OSC the allocation of the funds to the appropriate state budget code(s) and/or STIF account(s). The universities using MBs should use reports available through CBS to monitor, on a daily basis, its own discrepancies, as opposed to relying on DST to make contact regarding discrepancies.



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Policies may vary regarding how returns of deposited checks are processed. In some cases, DST establishes a separate bank account against which the returns are debited. In other cases, the university picks up and “buys back” the return items.

Requisitions for disbursements that are approved by the State Controller result in funds being moved from specific general and capital improvement allotment accounts to the University’s state disbursing account. Approved disbursements from institutional trust funds are disbursed directly from the STIF account or funded via NCFS by a transfer journal entry from the University’s STIF account to the state disbursing account. Unexpended amounts in the disbursing account should always equal the dollar amount of checks or warrants outstanding. An additional reconciliation should be made to ensure that the balance in disbursing account equals the “active records” in the Positive Pay file, a report available through CBS.

## **Process V - Month End Close**

The Month End Close process serves the business function of closing the University’s cash basis accounting periods. It provides University management with reasonable assurance that the University’s monthly financial activity (including routine end of the month journal entries) has been posted, is complete, accurate, properly classified, and in balance before the monthly accounting period is officially closed.

The process includes reviews by functional offices to determine whether adjustments are necessary in areas where the risk of errors exist, as well as the matching of general ledger balances to the required monthly reports to the State. Month end reporting includes: (a) the state budget code BD-701, BD-702 and BD-725 reports and (b) the NCAS file. Amounts per the financial system’s general ledger are compared to amounts per the draft monthly reports and files and appropriate adjustments initiated and approved to ensure completeness, accuracy, and proper presentation of the monthly financial information.

In addition, the process includes the review and reconciliation of key accounts and clearing accounts prior to closing the monthly books, the subsequent review and reconciliation of revenue and expenditure activities, and the associated bank or cash accounts by fund/project owners, and the review of departmental budget reports and monthly P-card activity statements by fund/project owners.

## **Process VI - Year End Close**

The Year End Close process serves the business functions of closing the University’s final cash and accrual basis accounting periods. It provides University management with reasonable assurance that its annual financial activity (including end of year journal entries) has been posted, is complete, accurate, properly classified, balanced, and in accordance with applicable accounting and reporting standards before the annual reporting period is officially closed.

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The process for the cash period close includes reviews by departmental and functional offices to determine whether adjustments are necessary in areas where risk of error exist, as well as the matching of general ledger balances to required year end reports to the State including the final BD-701, BD-702, BD-725, the OSC ACFR package, and the transaction files for the State Auditor.

The process for the accrual period close includes:

- Interim procedures performed during the year including reviews, analysis and communications by the financial reporting office to improve its understanding of significant changes to key financial statement accounts during the year and to take action earlier in regard to year-end accrual information needs.
- A self-assessment of internal controls over financial reporting by the university's internal control committee and a certification by the Chancellor and Vice Chancellor as to the university's internal controls. The self-assessment also provides for a discussion of significant changes during the year including but not limited to changes in the reporting entity, audit concerns, new GASB adoptions, accounting changes, determination of discretely presented component units (foundations), and other areas of special concern as addressed by OSC or OSA.
- Procedures performed prior to and during the 13th month period (July- September) including development of the year-end plan and checklist, information gathering, transaction and account balance analysis, year-end reconciliations, subsequent event reviews, analytical reviews, and recording year-end journal entries to ensure that the university's annual financial statements meet the applicable accounting and reporting standards.

The Year End Close process is critical to ensure transactions and account balances for the fiscal year are accurately recorded, summarized and reported in accordance with the requirements promulgated by the Office of State Controller (OSC), and the Governmental Accounting Standards Board (GASB).

## Process VII - Spending Guidelines

The Spending Guidelines process services the business function of determining the appropriate funding sources for an expenditure as well as what is allowable or non-allowable spending from the various university sources of funds. The University has a wide variety of funding sources which are available for expenditure, each of which has its own spending characteristics. No set of guidelines can be written that addresses every possible expenditure decision which may arise. Spending guidelines provide for the basic rules, regulations, and precedents governing expenditure of university funds. They provide invaluable assistance to university departments and persons responsible for authorizing expenditures in making wise and appropriate decisions.

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Spending guidelines that are authorized by upper management provide reasonable assurance that faculty/staff can carry out the university's mission effectively, while ensuring that fiscally wise, politically sound, and legally correct spending practices are understood and followed.

# General Accounting Standards

## Baseline Standards

### Process I – Bank Account Reconciliation

#### 1) Assigning Responsibilities:

An individual designated/approved by the University Controller's Office should receive and reconcile bank account statements monthly.

- a. To ensure appropriate segregation of duties, this individual should not be involved in the receipts & disbursement process.
- b. The reconciliation should be reviewed and approved by an individual independent of the person who performed it, generally the individual's supervisor.

#### 2) Reviewing and Reconciling Cash and Bank Activities:

The bank reconciliations should be performed for all activity during the period including disbursements, deposits and cash adjustments and should include all unresolved timing or discrepancy amounts from prior period reconciliations until they are resolved.

- a. To ensure completeness and accuracy, the check registers for the month as well as the month's deposit records and journal entry adjustments to cash accounts should be reviewed to ensure that all the cash related activities associated with the cash account are accounted for. New adjustments, if any, should be approved and posted to the proper accounts before the end of the month
- b. The bank statements should be reviewed to ensure that all unrecorded activities are identified and evaluated for adjustment purposes.
- c. Items that appear on the Bank Statement but do not appear on the University books (e.g., service charge and interest earned) should be identified and evaluated to determine if the items are valid debits/credits to the University and if valid entered in their respective General Ledger accounts via a journal entry that is approved and posted by the end of the month. If an item is invalid and considered an unauthorized transaction, the reconciler must report such transaction(s) to the supervisor and if potentially an illegal act, must report to the University Controller and the University Campus Police Office.

#### 3) Timing of Bank Account Reconciliations and Resolving Reconciling Items:

- a. State Treasurer Accounts - In accordance with North Carolina Administrative Code 20 NCAC 1C.04102, universities having bank accounts with the State Treasurer must reconcile such accounts within 15 days of the statement being generated. Generally, the state treasurer's bank account statements are available on-line the first of the month.
- b. Non-State Treasurer Accounts - Bank accounts not with the State Treasurer should be reconciled as soon as possible but no later than the end of the month. Reconciliations that require preparation times that exceed this standard should provide identification of

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the bank account and explanation for the deviation in the University's Cash Management Plan.

- c. Reconciling items that require time for resolution should be corrected as soon as possible but no later than the end of the following month (with the exception of outstanding checks). All items over \$500 not resolved within this period must be presented to and discussed with the University Controller for appropriate action.

## 4) Documenting the Reconciliations:

The reconciliation should be documented using a reconciliation template approved by the University Controller.

- a. The reconciliation template must indicate the name of the bank account and the end date of the bank statement.
- b. The reconciliation template must provide an agreement of the ending amount reported on the bank statement to the ending amount reported on the general ledger for the reporting period and **should include all unresolved timing or discrepancy amounts from prior period reconciliations until they are resolved.**
- c. The reconciliation template should include, as applicable, the following standard reconciling items:
  - i. Intransit/outstanding deposits or allotment account requisitions
  - ii. Undeposited receipts that have been booked in the GL but not yet deposited to the bank
  - iii. Debit or credit amounts that are bank errors that are pending correction by the bank
  - iv. Debit or credit amounts on the bank statement that were not authorized by the University and are pending investigation and correction
  - v. Debit or credit amounts posted by the bank that are pending posting to the GL
  - vi. Debit or credit amounts posted to the GL but not by the bank that are pending investigation and correction
  - vii. Checks that have been recorded on the books but have yet to clear the bank account (outstanding checks)
  - viii. Out-bound ACH payments, e-warrants, wire transfers, or NCFS transfers that have been recorded on the books but have yet to clear the bank account (outstanding e-payments)
  - ix. In-bound ACH payments, wire transfers, or NCFS transfers that have been recorded on the books but have yet to clear the bank account (outstanding e-deposits)
  - x. Other debit or credit items that cause the bank and GL balances to not agree that are pending investigation and correction

[See Appendix for Illustrations and Guidance](#)

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## 5) Documenting and Reviewing Outstanding Checks:

A list of all outstanding checks (including their dollar amount), all cleared checks, and all outstanding deposits should be attached to the monthly reconciliation (may be maintained electronically).

- a. All large checks outstanding for over 6 months should be identified and evaluated to determine if the transaction was valid and not a duplicate check. Transactions determined to be invalid, or duplicate should be voided immediately to the funding source charged for the transaction. The definition of large will vary from school to school based on amounts outstanding for over six months. The purpose of the standard is to routinely review on a monthly basis the risk related to old outstanding items for detection of error or fraud. The amount determined should not be so high as to avoid this procedure and not so low as to be inefficient but at a level that will ensure that the associated risks are reviewed and evaluated and to mitigate risk of error in the financial statements.
- b. Outstanding checks over 12 months old as of June 30<sup>th</sup> for each fiscal year should be identified and evaluated for escheat purposes. Due diligence measures must be conducted prior to the due date for escheatment to the State (November 1<sup>st</sup> for each fiscal year). This should include procedures to contact the recipient of the check in order for the check to be cashed or reissued or for corrections to be processed. Time frames for this could begin as early as 6 months after the check date but should be no later than beginning three months prior to the due date for escheatment to the State. Click here for [Guidance and Requirements by the Unclaimed Property and Escheats Division of the North Carolina Department of State Treasurer](#).
  - i. Outstanding checks for financial aid purposes must be referred to the University's Financial Aid Office for evaluation and disposition during the evaluation (due diligence) period. [The U.S. Department of Education, Federal Student Aid \(FSA\) Handbook, volume 4, chapter 1, section "Escheating of FSA Funds is Prohibited"](#) prohibits universities from allowing FSA funds to revert or escheat to the State. This prohibition is particularly relevant to universities when attempting to deliver FSA credit balances and post-withdrawal disbursements to eligible students and parent PLUS borrowers. Universities must have processes in place to identify unnegotiated FSA credit balance checks and to return the funds to the FSA programs before the date on which the state would assume ownership of those funds.
  - ii. Checks written to internal departments should never be escheated as they represent checks the University has written to itself. Such checks should be voided and discussed with the recipient department. In these cases, either a journal entry should be recorded to move the cash for the department or a check reissued and deposited / recorded to the department's account.
  - iii. In most cases, unclaimed checks of the university should be reported to the state of the last known address of the owner using that state's dormancy period. If the owner's address is unknown, the unclaimed check would be reported to North Carolina. However, while the university is encouraged to **only** report to North

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Carolina those checks for which the state is entitled, it may report incidental property to North Carolina, except for checks due to owners with a last address in California which must be reported directly to California. Incidental property would include ten or fewer checks, totaling \$1,000 or less, which are entitled to a state other than North Carolina.

## 6) Processing Returned Items from the Bank:

Return items, including manual checks and e-checks, that cannot be re-deposited should be purchased from the holding bank and placed in a specific GL or bank clearing account for distribution purposes, or distributed directly to the original source on the day purchased from the bank. Journal entries should be made to charge these returned items back to the original source / account codes by a designated employee. Items returned for student account collections must be charged back to the specific student's account. The return check GL or bank clearing account should zero out or be reduced to the authorized imprest account balance, in the case of a pre-funded bank account, at the end of each day. Any items remaining at the end of the day should be only for timing and identification issues. Items outstanding at the end of the day must be supported with adequate details and cleared out as soon as possible but no later than one week. The return check GL or bank clearing account should be reviewed by the appropriate functional office before month end close to determine that the account is zeroed out or that any outstanding balance is supported.

## 7) Recording Adjustments:

If an adjustment is required as a result of the bank reconciliations, such adjustment or entry should be reviewed and approved by a designated individual prior to posting. Further, the staff responsible for performing the bank account reconciliation should not have authority to record journal entry adjustments to cash accounts that they are responsible for reconciling unless a supervisor/manager has approved the specific entry.

## 8) Completing the Process:

When the bank reconciliations have been completed:

- a. The preparer should sign and date the reconciliation, either manually or electronically. The outstanding checklist, returned items, voided items, check register, bank advice and all other supporting documentation should be attached to the reconciliation performed, and forwarded to the designated individual for review and approval.
- b. The designated reviewer should review the bank reconciliation and supporting documentation for accuracy and reasonableness. The reviewer should then sign and date the reconciliation, either manually or electronically, as evidence of independent review and approval.
- c. Once the bank reconciliation and supporting documentation (including any resulting journal entries) have been reviewed and approved by the appropriate supervisor, it should be filed for audit and retention purposes.

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## 9) Monitoring the Process:

The management official that oversees the reconciliation process is responsible for monitoring to ensure that the bank reconciliations are being performed monthly and in accordance with these standards.

## Process II - Journal Entries

### 1) Establishing Rules/Guidelines Over Journal Entries:

- a. Documentation Requirements: Rules for supporting a journal entry including specific documentation requirements should be described in writing and made known to persons that initiate journal entries
- b. Journal Types: Journal types available in the system (rule code, transaction code or source code) and their associated cash posting rules should be described in writing and made available to accounting staff and other persons for whom an understanding of the journal system is important. This is especially true for understanding journals that aid in analysis of specific activities and for standard monthly and year end entries and to avoid cash balancing issues.
- c. Inter-Departmental Requirements: Rules governing the use of journal entries for adjustments that cross departmental classification codes, for internal sales between departments, for fund transfers, and for year-end entries should be described in writing and made available to accounting staff and other persons for whom an understanding of rules governing these types of journals is important to the integrity and validity of the system.
- d. Restrictions on Use of Certain Accounts: Rules governing the restricted use of certain accounts should be described in writing and made available to persons that initiate journal entries. These could include the prohibition of using miscellaneous income accounts for certain journal types, the prohibition of using salary expense accounts for all but HR / Payroll journal types, or the requirement to use specific transfer revenue/expense accounts for fund transfers.
- e. Approval of Sensitive Journal Entries: Rules for oversight approval of sensitive journal entries should be described in writing and made available to persons that initiate journal entries. These could include the requirement for fund transfers to be approved by the budget office (if state funds) or by the controller' office (if trust funds). Sensitive entries are those entries that require oversight central offices (such as the budget office or contracts and grants office) review and approval prior to the controller's office review and approval/posting of the entry.

[See Appendix for Internal Procedures for Journal Entries Illustration](#)

### 2) Describing, Initiating and Approving Journal Entries:

- a. Line descriptions on the journal entry should be concise and should aid analysis and reports created from the system.



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- b. The preparer should sign and date the Journal Entry form, either manually or electronically. All supporting documentation should be attached or referenced to this form and forwarded to the designated individual for review and approval.
- c. The designated reviewer should review the Journal Entry form and supporting documentation for accuracy and reasonableness. The reviewer should then sign and date the Journal Entry form, either manually or electronically, as evidence of independent review and approval.

## 3) Documenting Manual Workflow Entries:

Journal entries that are made using a manual workflow process must be initiated using a Journal Entry/Journal Voucher form approved by the University Controller. The form should document the following:

- a. Type of journal entry (rule code, transaction code or source code)
- b. An overall description/reason for the journal entry (this field provides for a longer description regarding the reason/purpose for the entry as compared to the line description field that is limited in size)
- c. The data necessary for posting the entry, including:
  - i. a unique journal id/transaction number
  - ii. the effective date
  - iii. an indicator that distinguishes cash periods from the accrual period (for example – the accounting period code or maybe a separate form or a different color form, etc.)
  - iv. fund and account numbers
  - v. organization/department code, purpose code or other attribute codes as required for system entry (as applicable)
  - vi. line descriptions
  - vii. \$ amount (format dependent on system entry requirements)
  - viii. an indicator for debit/credit (dependent on system entry requirements)
- d. Person initiating/preparing the journal entry, and the date prepared. E-mail documentation or electronic signature and date stamp may be used to meet this standard. In addition, the use of a manual processing stamp on the journal entry documentation with initials / dates may be used to meet this standard.
- e. Person reviewing and approving the journal entry, and the date reviewed. E-mail documentation or electronic signature and date stamp may be used to meet this standard. In addition, the use of a manual processing stamp on the journal entry documentation with initials / dates may be used to meet this standard.
- f. Person posting the journal entry and the date posted. E-mail documentation or electronic signature and date stamp may be used to meet this standard. In addition, the use of a manual processing stamp on the journal entry documentation with initials / dates may be used to meet this standard.

[See Appendix for Journal Entry/Journal Voucher Forms Illustrations/Guides](#)

# General Accounting Standards

## 4) Documenting Automated Workflow Entries:

Journal entries that are directly made through the system using an automated workflow or approval queue must be routed through the appropriate levels of security and approvals prior to posting and should follow the same segregation of duties and documentation guidelines as journal entries that are made using a manual workflow process.

## 5) Uploading Journal Entries:

Journal entries that are made through the use of an excel worksheet upload process (for example, FUPLOAD for Banner Schools) should be limited to accounting staff that are knowledgeable of the upload rules and requirements. Persons posting the upload journal should have appropriate security rights for this process from the University Security Administrator. The data element requirements as well as timing for this upload should be in writing. The review and approval process as well as the supporting documentation standards for journals uploaded from excel spreadsheets should be the same as for manual entries.

*Note: This does not include "Feed" journal entries from non-integrated systems. The standards for those entries are discussed in #6.*

## 6) Validating Feed Journal Entries:

"Feed" journal entries from non-integrated systems to the financial system GL or subsystems should be validated after posting by the initiating or receiving department to ensure the integrity, validity, and completeness of the items posting.

## 7) Processing and Tracking Internal Sales and/or Fund Transfer Journal Entries:

a. Internal Sales: Internal sales journals should be tracked to ensure the university's ability to eliminate internal sales activity as required for financial statement reporting purposes. The elimination entry is recorded at year end as part of the accrual process. The entry is supported by activity recorded during the year that represents internal sales activities. Using unique journal types to identify these and/or unique journal masks (first several digits of the journal id number) can assist in tracking these entries.

b. Fund Transfers: Fund transfer journals should be tracked to ensure the university's ability to remove such transactions for financial statement reporting purposes. The elimination process is performed at year end as part of the accrual process. The elimination process is supported by activity recorded during the year that represents fund transfer transactions. Using unique journal types to identify these and/or unique journal masks (first several digits of the journal id number) can assist in tracking these entries.

i. Fund transfer journals should be prohibited in the contracts and grants area, unless specifically accounted for. Any transfer of funds from state funds to trust funds must have specific authorization from the State. Transfers as used in this standard does not include the movement of funds related to internal sales

# General Accounting Standards

activities, or reimbursement or reclassification journal entries. Generally, fund transfers are identified by specific transfer in/out account/object codes.

## 8) Identifying and Tracking Year End Entries:

Identification of year end entries are especially critical to aid in the identification of beginning balance adjustments, prior year reversal, accruals to be reversed next year, accruals that should be recorded as a permanent adjustment and reclassification entries only. As well as being able to identify the classification of funds for budget reporting versus financial statement reporting purposes versus other reporting needs (ITF & IPEDS reporting). Keeping the year end accrual transactions separate and apart from the cash-based transactions is important in maintaining integrity and confidence in the financial reporting system and to be able to produce cash only or accrual reports. The university should address these critical identification needs through the use of classification codes, separate data bases, or other procedures that provide structure to easily identify year end transactions and maintain integrity between cash and accrual transactions.

## **Process III - Maintain Fund Accounts**

*The Maintain Fund Accounts topic that follows does not include Contract and Grant Funds unless specifically noted. Contracts and Grant business process standards are covered in separate standards issued by the UNC System Office of Compliance and Audit Services.*

### 1) Assigning Responsibility:

The Chief Financial Officer or designee should designate the person(s) responsible for authorizing fund accounts and system access.

### 2) Establishing and Monitoring System Access Controls:

System access to create or change data fields related to fund accounts should be strictly limited and only permitted to those persons designated by the responsible official.

- a. Granting System Access: System access for persons to enter transactions to established fund accounts is generally granted based on organizational unit and/or roles/responsibility codes. Depending on the role and responsibility and whether it is a central office or departmental function, approvals for access to enter transactions should be obtained from department heads or designee and/or the designated central office functional official. The University's process governing system access request, review and approval should be documented and made available to effected employees. The authority to actually grant access should be assigned to a responsible official (security administrator). The responsible office should obtain the necessary request form (maybe either electronic or paper) and review for completeness and sign offs before access is granted. Appropriate department head/dean or functional office director approval should be documented as part of the request to the security administrator and assured before access is granted.

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[See Appendix for Illustrative Banner Security Form](#)

- b. Removing System Access: System access granted to an employee should be removed when an employee leaves the office, moves to another position, or is terminated.
- c. 6 Month System Access Reviews: The University should have rules to ensure that system access to financial system applications is reviewed at least every six months. Documentation should be maintained to provide evidence of the review.
- d. System Access to Initiate and Approve Same Transaction: System access to initiate and approve transactions by the same person significantly increases risk and should not be granted unless justified and approved by management in writing. In those rare cases where management authorizes an employee to have both initiative and approval rights over the same transaction, the university should have procedures in place to compensate for the associated weakness in system access controls. Compensating controls may include a routine report of transactions that are initiated and approved by the same person. The compensating control report should be reviewed for appropriateness and signed by the person's supervisor or designee on a frequency no less than monthly and maintained as evidence of the compensating control for audit purposes.

## 3) Establishing Rules/Guidelines for Requesting Funds:

Each university should establish written rules and/or guidelines for the request from the departments to set up the following funds.

- a. Appropriated receipt fund accounts including a university specific form.  
[See Appendix for Illustrative Example of State Fund Request](#)
- b. Trust funds in accordance with UNC Policies and Procedures. The university should provide for a university specific form(s) for the request of the fund and include appropriate information and supporting documentation necessary to review and take appropriate action regarding the request. The request for trust funds should be signed off by a college/department approver (generally the college business officer but could be the department head/dean depending on the college).
  - i. If the request is for an activity that is required to be self-supporting, the University should require a university specific sales activity questionnaire form to be completed by the requestor. The sales activity questionnaire should provide for the necessary information to evaluate (1) whether the activity meets the Umstead Act provisions, (2) whether the proposed activity uses state resources to support the proposed activity, (3) whether its projected revenues and expenses are sufficient to ensure its ability to be self-supporting, and (4) its effect on the University's unrelated business income tax.

[See Appendix for Illustrative Example of Trust Fund Request, Rules and Guidelines](#)

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## 4) Authorizing Trust Funds:

The designated responsible official should review the trust fund requests for appropriateness and compliance with UNC policies and based on the information provided determine the appropriate classification of the activity. If approved, an Institutional Trust Fund Authority – Subsidiary Account Form “Trust Fund Authority” should be sent to the trust fund requestor and college approver. The form approval can be through an electronic process or may be sent via e-mail or by hard copy.

In addition, a memo from the responsible official regarding the responsibilities of the trust fund owner, reference to rules/guidelines and any specifics regarding the approval of the trust fund should be attached to the Trust Fund Authority. The memo can be through an electronic process or may be sent via e-mail or by hard copy.

The “Trust Fund Authority” form should include the following items:

- a. The name of the University and “Institutional Trust Fund Authority – Subsidiary Account” at the top of the form
- b. Identification as to the type of trust fund authorized and the General Statute reference
- c. The trust fund name and fund/project number
- d. The department name and code number
- e. The owner’s name and title
- f. The revenue source (name and code number) authorized for this fund
- g. Relevant accounting/reporting code names/numbers
- h. The official purpose as authorized for the fund including any specific restrictions, terms, or conditions on the use of monies
- i. Signature of the designated official and date

[See Appendix for Example of Institutional Trust Fund Authority Form](#)

## 5) Setting-Up Trust Funds:

A university specific template should be used to document the set-up values, and the person(s) initiating, approving, and keying the values.

## 6) Monitoring New Trust Funds:

Annually, a list of new trust funds, except for contract and grant, debt and foundation activities, should be generated from the system and provided to the University Controller or other responsible official for review of proper authorization and/or attribute codes / chart field elements that are significant to financial reporting. This requirement provides for a detection procedure to ensure that only those trust funds actually authorized where in fact set up and that the attribute codes / chart field elements are appropriate for financial reporting purposes.

- a. Where business processes and controls are in place and functioning to ensure the accuracy and integrity of the establishment of new trust funds on the system, the procedures at year end, may be adjusted accordingly based on the controller or other

# General Accounting Standards

responsible official evaluation of risk related to establishment of new trust funds on the system.

## 7) Maintaining Trust Fund Documentation:

The approved trust fund request, self-supporting sales activities questionnaire, supporting documentation, as well as correspondence and the signed trust fund authority, memo to the fund owner, and the account set up template should be maintained by the responsible official's office.

## 8) Reporting Changes to Existing Trust Funds:

As part of the rules/guidelines established, the University should require the owner of a trust fund to communicate to the responsible official's office any change that may occur in the fund's activity or if the ownership of the fund changes. Such information should be evaluated by the responsible official, the trust fund file updated, and appropriate action taken as necessary.

## 9) Reviewing Trust Fund Cash Balances:

On a frequency no less than quarterly, a report should be generated that provides cash balances of non-contract and grant trust funds for review by the University Controller or as designated. (Note - contracts and grant balances are covered under separate UNC System Office of Compliance and Audit Services process standards.) The report should be used to determine fund accounts carrying negative cash balances.

- a. Establishing Procedures: Internal procedures should be established in writing to assist in the review and should consider (1) the dollar value of the balance (may eliminate review of small accounts; i.e. \$100 or less), (2) the length of time the balance has been in a continuous negative position (may eliminate those that are not continuous or appear to be temporary based on history of the fund account), (3) fund accounts that are negative due to timing issues especially for financial aid accounts, and (4) approval by CFO or designee for carrying specified fund account negative cash balances. Appropriate action should be taken to address significant fund account negative cash balance positions.
- b. Significant and Large Long-Term Deficits: Fund accounts with significant and large negative cash balances that are considered long term deficits and carry over for more than one year should be addressed formally by the CFO or designee and an effective plan established and implemented to relieve the negative fund account cash position.
- c. Low Risk Exception: If the risk associated with the carrying of negative trust fund cash balances is considered by management to be low and primarily caused by timing differences that are under control, the frequency of the negative cash report and/or review may be performed less frequently than quarterly but must be sufficient to satisfy management's assertion that the negative trust fund cash balances are timing issues, controlled, and resolved by June 30th. When using this exception, the evaluation of

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associated risk factors and management's assertion must be documented and supported in writing and approved by the Controller and the related Associate Vice Chancellor on an annual basis.

## 10) Reviewing Negative Trust Fund Cash Balances that Effect the Financial Statements:

At year end and for financial statement reporting, trust fund negative cash positions (including Contract & Grant / Foundation funds) should be reviewed and (1) receivables recorded for valid amounts due from external sources, and (2) a reclassification entry recorded to move restricted trust fund negative cash balance positions to the University's current unrestricted cash balance. The accumulative negative cash balance position for all trust funds should never exceed the universities available unrestricted cash balance as reported in its annual financial statement.

- a. During the year and prior to yearend, the Controller's Office should communicate with other responsible offices such as the C&G office, the Endowment Office, as well as auxiliaries and other units that may be running large negative cash balances to discuss the need to collect related receivables prior to June 30<sup>th</sup> and/or to make appropriate transfers to cover the negative cash balance by year-end. In addition, for large negative cash balances not having related receivables or having receivables that are considered uncollectible, management action should be taken to address those prior to yearend.

## **Process IV - Maintain Daily Cash**

### 1) Claiming Deposits:

All deposits that have been identified and have support for recording to university accounts must be claimed and certified daily via the NCFS "Create Journal" screen using the appropriate "DEP" category codes. Throughout the day, NCFS will display the "Approval Status", as well as the "Batch Status" of the journals in the "Manage Journals" screen. The "Approval Status" indicates whether the journal is "In Process" or "Approved", and the "Batch Status" indicates whether the journal has been "Posted" or is "Unposted". Deposit types other than ACH and Wire will automatically be approved and posted. DST will approve ACH and Wire journals as they are able to match them with the funds deposited in the bank. This is only for the account ending in 3453.

[See Appendix for Daily Banking Activity Overview](#)

### 2) Reconciling Daily Deposit Activity (excluding NCFS transfers):

- a. A daily cash deposit reconciliation should be performed to document a four-way match of daily activity between (1) the amounts deposited to the University's State Treasurer depository accounts, (2) the NCFS "Deposits Report", (3) the total of supporting documentation for deposits, including copies of deposit slips or credits from third party sources, and (4) the amount of deposits per the GL for the effective date of the activity.

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- b. The daily reconciliations should be performed by the appropriate designated individual(s) and be documented using a template or worksheet approved by the manager that oversees the process reconciliations.

## 3) Matching Procedures for Daily Deposits Include the Following Sub-Tasks:

- a. Deposited Receipts: Deposited receipts per the accounting system should be reconciled to the total of bank deposits made for the effective date. Bank deposit source documentation includes the validated deposit slips, bank reports of in-bound ACH transactions and/or wire transfers, merchant cards deposit activity reports, and bank validation reports for remote deposits.
- b. ACH or Wire Transfer Deposits: Deposits made via ACH or Wire Transfers-In accounts should be determined based on the activity recorded in the depository account(s) designated for these transactions. A journal entry should be initiated by the cash management processor to record these transactions to the appropriate fund/account by the end of the day. If the transaction fund/account is not known, the transaction should be posted to a trust fund clearing account, then reviewed and distributed to the appropriate revenue account once the recipient fund/account is identified. If the recipient fund is not known, the cash management processor should perform research to identify the owner department, inquiries should be made to suspect departments, and a list of suspended amounts should be provided to the departments to assist in resolution. The amounts suspended in the clearing account at the end of the day should always be supported with the list of unidentified deposits and a copy of the information provided with the deposit.
- c. Credit Card Receipts: Deposit activity recorded to depository accounts designated for credit card receipts should be agreed to the merchant service bank account activity summary for the day. Any discrepancies should be followed up on, and corrections requested and verified. Amounts deposited should then be distributed to the fund and account on record for the specific department's merchant service account activity. All collections should be distributed each day based on information provided by the merchant service bank account activity summary. Chargebacks are normally netted against the day's total receipts.
- d. Immediate Credit Card Posting to Students Accounts: Students receiving credit immediately upon authorization of a credit or debit card charge may result in collections being recorded for which cash has yet to be received. For this reason, the appropriate functional office should address the need to balance the cash per GL with NCFS. This can be accomplished either by a set-back deposit at the end of the month or by making an adjustment to record a due from third party for uncollected amounts daily or at month end.
- e. Deposits to Main Banks: For deposits to a Main Bank (MB), the cash management or other responsible office should access the State Treasurer's Core Banking System (CBS) daily to match deposits made and/or the mismatch report to determine any unmatched transactions between the CBS and NCFS system. Differences determined that are not



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timing issues should be adjusted as soon as possible but no later than the end of the month. Adjustments may be caused by MB, NCFS, CBS or university errors or omissions. The State Treasurer should be contacted if MB and/or CBS errors or omission occur.

- i. When the university checks the CBS to verify deposits on a daily basis, the review of the mismatch report on CBS may be done less frequently than daily as approved by management but not less than bi-weekly. The process of the CBS daily verification and the review of the CBS mismatch report should be documented in the university's internal procedures.
- f. Deposits to Non Main Banks: For deposits to a Non Main Bank (NMB), the cash management or other responsible office should access the State Treasurer's Core Banking System (CBS) after the end of the month and before the GL is closed for the month to determine any unmatched transactions between the CBS and NCFS and to make timely adjustments on NCFS or contact the State Treasurer related to potential Bank and/or State Treasurer errors. The review of the unmatched transactions should be documented in the internal procedures for the responsible office.
  - i. In addition, for the NMBs, the cash management or other responsible office should work with the Non-Main Bank and/or the DST to obtain access to the Community Bank account records on daily basis. If access is provided, the responsible office should monitor the NMBs account records daily to determine any discrepancies with NCFS and to make timely adjustments on NCFS or contact the NMB related to potential Bank errors.

[See Appendix for Daily Deposits Reconciliation Illustration](#)

## 4) Documenting the Daily Deposit Reconciliations:

- a. The documentation for the daily reconciliations should include:
  - i. the bank deposit source documentation (as described in standard IV.3a) and/or a notation on the daily reconciliation that the individual deposit amount agrees to the bank deposit source documentation
  - ii. screen shots of the NCFS "Deposits Report" and/or a notation on the daily reconciliation that the individual deposit amount agrees to the NCFS "Deposits Report"
  - iii. a GL report showing the daily receipts or deposits and/or notation on the daily reconciliation that the deposits agree to the GL amount, and
  - iv. a report of the depository bank activity for the day and tie in of the total deposits and/or notation on the daily reconciliation that the amounts agree to the bank activities. Documentation of the daily review of the CBS unmatched report may be used to document the review of the depository bank activity.
- b. Any differences should be followed up on and the daily reconciliation maintained in a pending file until the four-way match is completed. Once completed, the daily reconciliations should be signed off on by the responsible preparer and reviewer and maintained for audit by the responsible office in accordance with the school's record retention policy. Universities may use a running electronic spreadsheet that is

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maintained to account for the four-way matching of daily activity to document this reconciliation requirement.

- c. Amounts not claimed on NCFS due to identification or support issues should be reconciling items on the daily deposit reconciliation. The reconciliation will typically be a two-day process in that journal entries required for unrecorded items and other adjustments/corrections to cash accounts require overnight posting to the GL. The four amounts should be in agreement by month end. If there is a discrepancy, the difference must be investigated and resolved as part of the month end process.

## 5. Making Adjustments Based on Daily Deposit Reconciliations:

- a. If an adjustment or correcting journal entry is required as a result of the reconciliations, such adjustment or correction entry should be reviewed and approved (signature and date as evidence of review) by the designated supervisor/manager prior to posting. Further, the staff responsible for performing cash management functions may initiate the correction but should not be allowed to post the proposed transaction unless a supervisor/manager has approved the specific entry.
  - b. The daily reconciliations and supporting documentation for any resulting journal entries should be documented each day (or month as applicable) as being performed; initialed and dated by the preparer; approved, initialed and dated by the appropriate supervisor; and maintained in a central location, in accordance with the University's record retention guidelines. Amounts for the reconciliations should be supported and provided to the supervisor/manager upon request.

## 6) Determining Daily Disbursement Needs and Requisitions (excluding NCFS transfers):

- a. Disbursement needs should be determined based on automated requisition reports generated from the University's accounts payable and payroll modules. This is done daily for manual check writes and on scheduled pay cycles for automated check writes and outbound ACH transactions. An individual within the cash management function should use a template, worksheet or computer-generated report approved by the University Controller's Office for this purpose. The template, worksheet or computer-generated report should specify the funding sources for the planned disbursements (general operating budget code, specific CI budget codes, trust funds, etc.). The disbursement needs document should be reviewed and approved by a supervisor/manager on a daily basis, prior to requisitioning funds.

[See Appendix for Daily Disbursement Needs Illustration](#)

- b. Based on the approved disbursement needs template, worksheet or computer-generated report, the cash management processor or designee should requisition funds for the planned disbursements via the NCFS "Create Journal" screen using the appropriate "PAY" category codes for requisitions by 10:30 a.m. each day. The cash management processor or designee should verify that the funds have been approved via the NCFS "Manage Journals" screen and/or the NCFS "Daily Disbursements (Requisition)

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Report”. The “Manage Journal” screen will provide the “Approval Status” and the “Batch Status” of the requisition journal the same as the deposit journals discussed previously. Discrepancies in the approval or posting of the requisition journal should be immediately brought to the attention of the supervisor.

- c. After the verification of funds approved for disbursement via NCFS, the cash management processor or designee should then notify the department responsible for check distribution that checks can be released for the amounts approved.
  - i. In addition, for ACH and Wire Transfer disbursements being processed through the university’s state disbursing account, the appropriate Electronic Warrant should be initiated on the CBS.
- d. At the end of the month, an individual within the cash management function should reconcile the total disbursements per the General Ledger to the requisitions approved by OSC for the month. In addition, this individual should reconcile the University’s cash balance per NCFS to the cash balance per the financial system General Ledger. All discrepancies should be investigated, and corrections made prior to month end close certification.

[See Appendix for Monthly Disbursements Reconciliation](#)

## 7) Processing NCFS Intercompany Transactions (Transfers):

- a. Transfers between state agencies and universities should be made using the NCFS “Create Transaction” screen in accordance with the policies/directives/guidelines issued by the State Controller’s Office. The creator of the transfer journal (Provider) manages the transfer via the NCFS “Manage Intercompany Outbound Transactions” screen.
- b. The recipient of the transfer journal (Receiver) should use the NCFS “Manage Intercompany Inbound Transactions” screen to accept or reject a proposed transfer. Universities should review all proposed NCFS transfers daily and take action to accept or reject them within 2 business days.
- c. For disbursements planned with NCFS transfers, the cash management processor or designee should use the template, worksheet, or computer-generated report similar to the requisition worksheet, as described in 4a above, to document the determination of funds needed for disbursement purposes. The NCFS Transfer-Out is then recorded using NCFS “Create Transaction” screen by 10:30 a.m. each day.
- d. Daily, the cash management processor or designee should review NCFS “Manage Intercompany Outbound Transactions” screen to determine if the proposed NCFS transfers have been accepted or rejected. NCFS transfers that are rejected or are outstanding at the end of each month must be managed in accordance with the NCFS system requirements – See [NCFS Help Documents and Job Aids](#) for more on these requirements.
- e. Individual NCFS transfer transactions should be maintained on a worksheet during the month and reconciled to the NCFS “Daily Transfer Report”. At the end of the month, an individual within the cash management function should reconcile the total NCFS transfers approved and posted for the month to the general ledger activity amounts. All

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discrepancies should be investigated, and corrections made prior to month end close certification.

[See Appendix for NCFS Transfers Reconciliation Illustration](#)

## 8) Processing Stand Alone Commercial Settlement Account Transactions:

- a. Universities may establish separate stand-alone commercial settlement accounts as authorized by the DST to track and reconcile ACH transactions for payroll, vendor and student payments, as well as ACH debit returns.
- b. Disbursements made using ACH transactions should be reconciled prior to sending to the Bank to ensure that the ACH file amounts are accurate and afterward to ensure that the ACH file transactions have properly cleared.
- c. ACH items returned should be identified daily and corrections made timely to reauthorize the approved ACH disbursement. Procedures may vary regarding processing returned ACH transactions. Policies should be established regarding when a corrected ACH transaction will be initiated, versus when a substitute paper check will be issued. Policies should be established regarding when returns will be *reported* on NCFS and subsequently re-requisitioned versus shortening a future requisitioned amount.
- d. Documentation should be maintained to evidence these procedures are in place and working.

## 9) Using Positive Pay Debit Block Procedures:

- a. All universities in the UNC System must use Positive Pay procedures for authorization of activity related to disbursements recorded on the State Funds Account and Institutional Trust Fund Account. Management should determine whether to use Positive Pay procedures for imprest funds authorized by management and approved by the DST based on a cost benefit analysis. Positive Pay ensures that only authorized disbursements are honored by the bank. Items reported by the bank as not being in the authorized file should be reviewed by the responsible office when notified or made available by the bank and, if an error, correction should be made by the bank cut off time for the day. If unauthorized amounts are detected, the Responsible Office should notify the University Controller and forward pertinent information to the University Campus Police for appropriate legal action. Any action taken on positive pay returns should be documented and approved (initialed and dated) by the supervisor/manager.
- b. For non-state treasurer depository bank accounts, debit blocks should be considered to prevent unauthorized withdrawals from ACH or wire transfer transactions from being honored by the bank.

## 10) Establishing and Reporting the Institution's Cash Management Plan to the State:

A Cash Management Plan, as required by the North Carolina Office of State Controller (OSC) should be maintained by the Institution and updated annually as instructed by OSC.

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- a. Each Institution should identify the individual(s) who will have responsibility for developing, approving, and administering the cash management plan.
- b. Each Institution must review its plan annually to ensure that the plan is current and to make adjustments as deemed necessary.
- c. Each Institution must submit annually its plan including attachments via the OSC Cash Management Plan SharePoint website prior to obtaining required signatures. An email should be sent to OSC requesting user access to the SharePoint website. Once OSC approves the institution's plan, electronic signatures will be collected via DocuSign and as instructed by OSC. The official signed copy of the institution's Cash Management Plan will be sent to the Institution via email.
- d. Regardless of change, the Institution's Cash Management Plan must be recertified each year by March 31<sup>st</sup>.
- e. The Institution must also certify that the annual update to the cash management plan has been made in the OSC ACFR package representation letter to the State Controller.
- f. The Institution should maintain a copy of the approved plan for audit purposes.

## Process V - Month End Close

### 1) Establishing a Month End Close Schedule:

The University Controller should establish a calendar or schedule for the timely, efficient, and effective close of monthly activities and the timely reporting of monthly financial information to the State. The time frames established in the calendar or schedule should not exceed the time frame requirements established by the Office of State Controller (OSC) for reporting NCAS (10 business days). Further, the University Controller should monitor compliance with the established time frames. In the event the established time frames are not met, factors preventing this should be analyzed, and appropriate corrective action should be taken, where possible, to avoid a recurrence of such factors, and to ensure a timely, efficient, and effective close of subsequent monthly activities.

### 2) Establishing a Month End Close Checklist:

- a. A month end close checklist should be developed and approved by the University Controller, prior to its use. This checklist should serve as a step-by-step guide for completing the necessary month-end procedures. At a minimum, the checklist should include the following:
  - i. All tasks or activities (listed in the logical order of their completion) necessary for the completion of the month end close process.
  - ii. A due date (and cut off time, if required) for completing each task or activity listed on the checklist. This is necessary to facilitate compliance with the time frames established in number 1 above.
  - iii. The names of individuals, positions or departments responsible for performing the tasks or activities listed.

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- iv. A section to indicate the completion of each task or activity. This should be documented via a check-off by the individual responsible for directing and supervising the month-end close process.
- b. Prior to the NCAS pre-certification, the individual responsible for directing and supervising the month end close process should initial and date the month end close checklist as validation that all items on the checklist have been appropriately completed in their entirety, and necessary adjustments have been made. The date of the certification, as well as any factors that prevent the time frames established in #1 from being met should be recorded on the checklist prior to the sign-off. This sign-off will also serve as evidence of management's formalized review prior to final NACS certification.

[See Appendix for Month End Close Checklist and Schedule Illustration](#)

## 3) Communicating Month End Processing Schedules:

For universities that depend on departmental action to initiate transactions or communicate error conditions affecting monthly reports, processing schedules should be developed by the appropriate functional offices and communicated to the user departments. Processing schedules provide information relative to key processing dates that user departments must be aware of, to ensure that transactions, including vouchers, hourly pay, check rewrites and/or voids, credit memos, P-card account corrections, salary redistributions/reallocations and adjusting journal entries, as well as budget revisions for a given accounting period, are initiated and approved prior to the month end close.

[See Appendix for Monthly Processing Schedule Illustration and Monthly AP Pay Cycle Schedule Illustration](#)

## 4) Identifying and Recording Standard Month End Journal Entries:

The University Controller's Office should develop a list of all 'Standard Monthly Journal Entries', along with the associated guidelines for their completion, that are required to be made at month end. These entries should be incorporated in the month end close checklist discussed in # 2. These entries include allocations, distributions, or charges that are routinely calculated and posted prior to month end close.

## 5) Identifying and Reconciling Key Accounts:

- a. The University Controller's Office should identify all accounts deemed key to the University's monthly financial activity. Key accounts would include those that are likely to have a high impact on the University's financials and those with sub system balances or third-party records that can be monitored on a monthly basis. The key accounts identified may differ from university to university, *but at a minimum should include:*
  - i. Bank Accounts (Third party record reconciliations)
  - ii. Fiscal Agent Accounts (Third party record reconciliations)
  - iii. Student Accounts Receivable (AR sub system reconciliation)
  - iv. Student Perkins Loans (Loans sub system reconciliation)

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- v. Accounts Payable (AP sub system reconciliation)
- vi. Salary Accounts (Payroll sub system reconciliation)

All key account reconciliations should be completed by the end of the month, and related adjustments/corrections recorded no later than the subsequent month end close.

- b. In addition to the key accounts, the University Controller's Office should also identify all clearing accounts deemed key to the University's monthly financial activity. Key clearing accounts would include those that are significant to the University's financial statements, monthly budget reports, or key account subsystem balances, and those that have known audit issues. All key clearing account reconciliations should be completed by the end of the month, and related adjustments/corrections recorded no later than the subsequent month end close.
- c. Clearing accounts that are not designated as key clearing accounts should be reconciled on a schedule as determined by the appropriate central office responsible for the accounts oversight.

## 6) Documenting the Reconciliation Process for Key Accounts:

In order to facilitate the timely and uniform completion of the monthly account reconciliations, the University Controller's Office or other central office responsible for oversight of the accounts should develop, and provide users access to reconciliation templates for the identified key accounts and key clearing accounts.

[See Appendix for Key Account Reconciliation Illustration and Clearing Account Reconciliation Illustration](#)

- a. The designated preparer should sign and date the account reconciliation, attach all supporting documentation to the reconciliation performed, and forward it to the designated reviewer.
- b. The designated reviewer should review the account reconciliation and supporting documentation for accuracy and reasonableness. The reviewer should then sign and date the reconciliation as evidence of independent review and approval. [Note: for reconciliations that are in electronic format, electronic documentation of the sign-off and date is acceptable.]
- c. If an adjustment or correction is required as a result of the reconciliations, such adjustments should be reviewed and approved by the designated individual prior to posting. Further, the staff responsible for performing the reconciliations should not have authority to record journal entry adjustments to accounts that they are responsible for reconciling unless a supervisor/manager has approved the specific entry.

## 6) Monitoring Key Account Reconciliations:

To ensure that the identified key accounts and key clearing accounts are being reconciled, and related adjustments/corrections made every month, the University Controller should monitor the completion of the reconciliation process. While this process is especially

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important for the bank reconciliations, it should also include all key accounts and clearing accounts as determined in step 5 and 6 above.

- a. This monitoring process must be documented and evidenced in writing and maintained for audit purposes as part of management's ongoing monitoring process. Examples of acceptable documentation includes:
  - i. A worksheet(s) to track the reconciliation status completed by the person responsible for the reconciliations and signed off timely by the Controller,
  - ii. E-mails including information regarding the timely completion of the reconciliations and notification of any issues observed sent to the Controller on a timely basis,
  - iii. Routine meetings during the month between the Controller and the designated manager(s) over the reconciliations with documented notes related to the timely completion of the reconciliations and notification of any issues observed.
- b. For the bank account reconciliations, evidence of the review of UNC Business Process KPIs related to the timely completion of the bank reconciliations including the review of any issues observed in those reconciliations may be utilized to document the Controller's ongoing monitoring process related to the bank account reconciliations.

[See Appendix for Reconciliation Tracking Worksheet Illustration](#)

## 7) Establishing Rules/Guidelines for Departmental Account Reconciliations:

The University Controller's Office, University Purchasing Office or designated central office should establish written rules/guidelines for user departments to review/reconcile their financial transactions to departmental monthly cash reports and to P-card statements.

- a. The written rules/guidelines should incorporate a departmental activity review checklist and/or instructions. These checklists/instructions should serve as a guide to procedures necessary for completing the departmental account activity review. The written rules/guidelines should incorporate a P-card reconciliation checklist and/or instructions. These checklists/instructions should serve as a guide to procedures necessary for completing the review process and, in the case of P-card activities, for preparing and filing required reports to the responsible central office.
- b. In the case of P-card reconciliations, the responsible central office should monitor and review the required monthly filings for completeness and sign offs and take appropriate action when such filings are not made in accordance with the P-card program requirements. In cases where the central office delegates this responsibility to departments, the compensating controls to detect error and/or misuse by the cardholders should be documented and maintained for audit and retention purposes.
- c. In the case of departmental account activity reviews, the University Controller's Office should, as considered necessary, periodically assess the efficiency and effectiveness of this process, and provide further guidance to the departments based on this assessment.

[See Appendix for Monthly Account Activity Reconciliation/Review Checklist Illustration and Monthly P-Card Activity Statement Reconciliation Illustration](#)



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## 8) Validating Cross Walk of Banner and NCAS Account Codes:

The month end close process includes the review of cross walk tables or the Banner Account Hierarchy Number used to convert the University's Chart of Accounts to the NCAS Chart of Accounts. The month end close checklist should include a step to review any changes to the University's Chart of Accounts, and to validate that the cross walk, or the Banner Account Hierarchy Number change was made properly. In addition, all new NCAS account changes per the OSC should be reviewed and changes made, as appropriate, to include the proper reporting of those changes on the University's Chart of Accounts.

- a. The Controller's Office meets this standard if they have a business process that is functioning that validates the crosswalk when a new account is authorized in the system. In addition, the Controller or the financial reporting accountant should be involved in the review and approval of all new accounts.

## 9) Completing Monthly NCAS Reports:

The month end close process includes the filing of monthly financial information for interface to NCAS, maintained by the Office of State Controller (OSC). The NCAS interface filings require a monthly reconciliation certification process. Accordingly, at a minimum, the following standards must be maintained:

- a. NCAS Monthly Reconciliation:
  - i. Actual, as well as budget amounts, on the BD series reports - BD 701 and 702 (State Funds) and BD 725 (Capital Improvements) must be reconciled to the amounts per the NCAS. The purpose of this reconciliation is to reconcile total cash, appropriations, allotments, disbursements, and receipts by budget code to NCAS.
  - ii. Before the University begins to reconcile the reports, all activity for the month should be summarized and posted to NCAS.
  - iii. Amounts reconciled in (i) should also be reconciled to amounts supported by the University's General Ledger.
  - iv. Budget amounts reconciled in (i) should also be reconciled to the University's certified appropriation and approved BD 606 budget revisions.
  - vi. The reconciliations should be completed prior to the NCAS month end certification process.

[See Appendix for Month End Close Reconciliation Template Illustration](#)

- vii. Any differences identified during the reconciliation process should be investigated and resolved (via correcting entries to the General Ledger, NCAS) in a timely manner, prior to the month end NCAS certification. Such correcting entries should be approved by the designated reviewer prior to posting.
- b. The University should finalize and certify its NCAS general ledger reports (BD reports) for each month with the Office of State Controller (OSC). In order to meet OSC's 10-day certification requirement, the designated individual/s should e-mail the precertification to the OSC Support Service Center on or prior to the 10<sup>th</sup> working day that the financial reports are accurate and complete. Pre-certifications received on time without errors are considered certified by OSC on the day received.

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- i. For more information related to the 2018 changes to the month-end certification process see OSC memorandum “18-30” on the OSC 2018 Memos web page at <https://www.osc.nc.gov/documents/2018-memos>.
- ii. For a complete set of guidelines related to the monthly certification process, universities should refer to the NC OSC “Monthly Budget Report Certification Procedures”.

## ***Process VI - Year End Close***

### 1) Establishing Year End Schedules:

The University Controller should establish a calendar or schedule for the efficient and effective close of the fiscal year’s activities and the timely reporting of the fiscal year’s cash and accrual financial information. The time frames established in the schedule should be no more than the time frames required by the Office of State Controller (OSC), the University of North Carolina – System Office, the Office of State Auditor (OSA), and any other entities to which the University is required to report. The University Controller should monitor compliance with the established time frames.

### 2) Communicating Year-End Processing Schedules:

A year end cash close processing schedule should be developed by the University Controller’s Office and other central offices (such as the Payroll and Budget Offices) and communicated to the user departments. The processing schedule provides information relative to key processing dates that user departments must be aware of, to ensure that transactions are initiated and approved prior to year-end close.

[See Appendix for Illustrative Year End Cash Close Schedule](#)

### 3) Completing the AICFR:

A self-assessment of internal controls over financial reporting should be completed and a certification of controls signed by the Chancellor and CFO submitted to the State Controller and the UNC System Office of Compliance and Audit Services by July 31<sup>st</sup>.

- a. The Controller should be a significant contributor to the self-assessment and a major internal control committee member. The self-assessment should follow the instructions and template provided by the UNC System Office of Compliance and Audit Services which includes a discussion of risk associated with change and events during the year including but not limited to the review of the reporting entity, audit concerns, new GASB adoptions, accounting changes, determination of discretely presented component units (foundations), and other areas of special concern as addressed by OSC or OSA.

### 4) Establishing a Year End Plan and Checklist for Year End Reporting Purposes:

- a. The Year End Plan and Checklist: A year end close plan, including time frames and checklist of procedures performed prior to and during the 13<sup>th</sup> month period should be

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developed and approved by the University Controller, prior to its use. This plan should serve as a step-by-step guide for completing the necessary year end accrual procedures. The checklist should include the following:

- i. All tasks or activities necessary for the completion of the year end accrual close process.
- ii. A due date (and cut off time, if required) for completing each task or activity listed on the checklist. This is necessary to facilitate compliance with the time frames established in number 1 above.
- iii. The names of individuals responsible for performing the tasks or activities listed.
- iv. The names of individuals responsible for reviewing the tasks performed.
- v. A section to indicate the completion of each task or activity. This should be documented via check off by the person responsible for monitoring the plan and task list based on evidence of its completion.

[See Appendix for Illustrative Year End Plan and Illustrative Banner Year End Processing Schedule](#)

- b. Consideration of the Year-End Procedural Guidance: In completing the year-end plan, the Controller and the Financial Reporting Office should consider the guidance provided in the UNC Business Process Procedural Guidance for Year End Planning and Procedures for Financial Reporting.
- c. Interim Procedures: The University Controller and the person responsible for year-end financial reporting should incorporate in the year-end plan and checklist interim procedures to improve the early completion of the OSC ACFR package. Interim procedures may include review of transactions, comparison of balances, and communication with responsible offices.
  - i. Interim year-end tasks may be done on a monthly, quarterly or semi- annually basis and include the review of changes to key financial statement balances to understand the causes for the change to those accounts earlier. The accounts to review for change as compared to the prior year include those accounts that were considered material in the prior year financial statements. In general, this would likely include: Cash, Receivables, Capital Assets, Debt, Revenues, and Expenditures. The review of material accounts should be considered at the disaggregated level as presented in the notes to the financial statements.
  - ii. Monthly/Quarterly meetings should be held with management or communication made to responsible offices to understand any significant and material changes taking place or being planned that would impact the annual financial statements. This would include new construction and debt or the refinancing of existing debt, changes in real estate, significant gifts (cash and non-cash) to the university, approved expansion budget items or significant changes in the budget, significant changes in operations, services provided, rates charged or capacity of major auxiliaries, changes in legal contingencies, changes in contracts and grants activities, changes in lease purchases, changes in endowment activities, changes in athletic operations, and changes in foundations and fund raising activities.

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- iii. For external organizations requiring inclusion in the annual financial statements, communication with the responsible office(s) regarding the need to have timely information for the financial statements and the development of contingency plans in case unplanned delays occur in obtaining needed information.
  - iv. For accounts that are known to have errors and require reclassifications, analysis of those accounts should be made during the year to ensure that by June 30<sup>th</sup> appropriate corrections have been made.
  - d. Cross Walk of the University Accounts: The year-end plan should incorporate the tasks necessary to ensure the proper crosswalk of the University's accounts to the appropriate OSC ACFR package 905 report and its automated financial statements. This should be done after the OSC ACFR package and Pro-Forma has been issued by OSA and before the end of June.
  - e. Automated Financial Statements / Trial Balances: The year-end plan should incorporate the use of automated financial statements and/or trial balances that provide summarized balances at the financial caption level as tools to aid in the efficient and effective monitoring of account balances as the year end work is performed. As the year-end accrual work progresses, it will be necessary to review these reports often to understand what has been recorded or not and what accounts need additional review. These reports may also be used during the year on an interim basis for early review of account balances and identification of potential significant changes with the prior year's balances.
- 5) Gathering Information for Year End Reporting Purposes:
- The year-end plan should identify the information necessary to be gathered and the assignments made to gather this information in a logical time frame, especially for information not readily available. Timely and accurate information gathering is essential to assuring proper financial statement balances and disclosures, and meeting OSC ACFR package deadlines. Information gathering may include:
- a. Third party bank statements for cash and investments
  - b. Inventories taken by auxiliary units
  - c. Auxiliary receivables (bookstore, athletics, non-student accounts, etc.)
  - d. Compensated Absences from HR
  - e. Salaries Payable from payroll
  - f. Contract and Grant classifications as operating vs. non-operating or capital from the Contract and Grant Office
  - g. Gifts from foundations, alumni association or athletic club and classification of those gifts as non-operating or capital from the associated functional offices
  - h. Gifts accepted by the Development Office
  - i. Insurance policies from risk management
  - j. Contingent Liabilities from the Legal Office or Contracts and Grants Office or Treasurer's Office or Risk Management Office

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- k. Other functional offices having management control over certain accounts (for example, an endowment office, investment office, foundation office, real estate office, budget office, construction office, environmental safety office, athletics controller's office, cashier's office) may need to be contacted for accrual or disclosure related information

## 6) Identifying and Validating Material Accounts Key to the Year End Plan:

The year-end plan should identify key accounts (those at high risk due to materiality or risk of error) and the tasks and steps necessary to validate the account balance and/or transactions. The year-end plan should incorporate the use of lead sheets, analysis, analytical review and reconciliations when validating the key accounts. Validation of the key accounts provides management with reasonable assurance that the key accounts are accurate, that appropriate adjustments are considered for financial statement reporting and the accounts are ready for audit inspection.

- a. Interim Review of Materiality: To better plan for the current year-end procedures and the identification of key accounts, an interim review of materiality on the prior year's financial statement balances should be performed and evaluated. The Procedural Guidance for Year End Planning and Procedures for Financial Reporting provides guidance as to how to use materiality and provides an attachment for the computation and consideration of materiality for the universities using prior year audited data. The procedural guidance and attachment will be updated annually by the UNC System Office of Compliance and Audit Services
- b. Qualitative Factors: In addition, the results of the self-assessment of internal controls over financial reporting noted in 3 above should be considered to understand qualitative factors that could indicate an increase in the risk of misstatements in the financial statements and the need to take corrective actions before year-end or to adjust the scope of the year-end plan accordingly.

## 7) Documenting Year End Work:

Year-end work performed should be documented. This documentation should include:

- b. A list of procedures used,
- c. A copy of or reference to any queries required by the procedures,
- d. the related supporting documentation with appropriate references to the sources for data or information, and
- e. Adjusting journal entries, if any, determined necessary as a result of the procedures.
- f. In addition, the work performed should be initialed and dated by the preparer and the approval by the assigned reviewer. Work performed resulting in an adjusting journal entry, should be reviewed and approved prior to the adjusting entry being posted.

## 8) Making Year End Adjustments:

- a. Types of Adjustments: Year-end adjusting journal entries may include: (1) beginning balance adjustments, (2) prior year accrual reversing entries, (3) new accrual entries to

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be reversed in the subsequent year, (4) new accrual entries for reclassification purposes only, (5) new accrual period entries that need to be posted as a permanent adjustment, and (6) post OSC ACFR entries.

- b. Post OSC ACFR Entries: Post OSC ACFR entries are used to record reclassifications due to differences in the OSC ACFR and the university's financial statement presentations, as well as subsequent event discoveries. Subsequent event discoveries result from information not being available for recording prior to the OSC ACFR cut-off or new information becoming available that affects the financial statements. In both cases, the effect of the information should be material/ significant to the financial statements to make post OSC ACFR entries.
  - i. The starting date for recording post OSC ACFR entries starts from the date adjustments are closed by OSC for OSC ACFR processing and up to the date that the auditors begin their work. Once the auditors start their work, post OSC ACFR entries must be discussed with the auditors to obtain advice as to whether an adjustment is necessary. If necessary, the auditors will process the entry in their trial balance system, as authorized by the controller, and then the university should record to their system.
  - ii. All post OSC ACFR entries presented to the auditor for processing must have an adequate audit trail. While these adjustments would generally be considered agency adjustments, qualitative factors are considered by the auditors when determining whether the adjustment is an audit adjustment or an agency adjustment.
- c. Accruals to be Reversed or are Permanent: Adjusting journal entries that are to be reversed or are considered permanent adjustments or reclassifications for year-end purposes should be identified separately to assist in understanding their effect on the financial statements and the post-closing activity needed.

## 9) Performing and Documenting Analytical Procedures and Variance Analysis:

As part of the year end close process, a comparison of current year balances to prior year balances should be performed to help determine significant variances in the draft financial statements. Such variances could signal significant errors, raise questions during audit inspection, or raise questions by management or oversight agencies.

- a. Establishing the Last Date for Making Year End Entries: To ensure an effective analytical review process, the year-end plan should include a last day for posting journal entries which would be the day before you plan to perform the final review for significant variances. Understanding the major changes prior to the final analytical review and performing earlier significant variance reviews during the interim period may ensure that this process will go quickly and without additional journal entries.
- b. Controller's Responsibility for Review of Significant Variances: The University Controller's Office should, prior to submission of the OSC ACFR package, verify that all significant variances have been appropriately explained and that necessary corrections to the OSC ACFR package have been made. It is the Controller's and Financial Reporting Office's responsibility to authorize adjustments to be made after the adjustment cut-off

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- date discussed in (a) and before the OSC ACFR submission date. If information is available and material errors exist, adjustments should be made prior to submission. If time is a factor in correcting the material errors, the Controller should work with OSC for an available solution.
- c. Defining How the Significant Variance is Determined: In performing the final significant variance review, the year-end plan should define what a significant variance is quantitatively using a percentage and dollar value related to the change for which considering both would indicate a significant variance.
    - i. Use of the OSC Determination for the OSC ACFR Only: The use of the OSC percent and dollar threshold value is strictly for the OSC ACFR package only and should not be used for the university issued financial statements.
    - ii. Consideration of the Year End Procedural Guidance: The universities should use a percentage and dollar threshold value that are sufficiently low enough to address significant changes that meet the materiality considerations discussed in the Procedural Guidance for Year End Planning and Procedures for Financial Reporting. As part of the materials provided annually to the campuses by the UNC Office of Compliance and Audit Services, materiality computations are provided that may be used for this purpose.
    - iii. Qualitative Factors: In addition to quantitative factors, the university should also consider qualitative factors including a review of the accounts that are not material quantitatively but are obvious errors to the informed user of the financial statements. This can be done by a review of those accounts that are not included as a significant variance to ensure that the variance is not an obvious error or an unexpected difference to a knowledgeable person.
    - iv. Timing of the Review: The comparison for both the university's financial statement balances and the OSC ACFR package should be performed prior to the submission of the OSC ACFR Package and completion of the financial statements.
  - d. 3 Year Analysis from Year End Procedural Guidance: In addition, a 3-year analysis on the university's audited information as well as a comparison to system averages and tier group (large, medium, small schools) averages on selected note disclosures is provided as part of the attachments to the Procedural Guidance for Year End Planning and Procedures for Financial Reporting. The universities should use the 3-year analysis to assist them in performing analytical analysis of those disclosures to ensure appropriate reporting and to provide for a qualitative review of those disclosures. The 3-year analysis include: reporting of compensated absences, student tuition and fees revenues, and sales and services revenues.

## 10) Preparing Financial Reports:

### a. Completing OSC ACFR Package Procedures:

The OSC ACFR package should be completed and submitted to OSC by the required deadline. Each item needed in the OSC ACFR package should be assigned and work

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reviewed and accepted prior to submission. The OSC ACFR package is made available to the universities each year via notification from OSC and as made available on their web site. The certification or representation letter required with the OSC ACFR package should be negotiated early enough to have ready by the date planned for submission. The Chancellor and CFO must sign the representation letter prior to submission to OSC.

A formalized, detailed review of the OSC ACFR package should take place. As part of this review, the University Controller's Office should use the OSC ACFR close checklist available at the OSC web site. This final review before submission should be documented and signed off by a person in a managerial position.

Refer to the OSC website for the most current ["OSC ACFR Offline Package Checklist"](#)

b. Validating Amounts Reported to OSC and OSA:

- i. Reconciliation or matching of balances between the University's financial system and the balances reported in the OSC ACFR package should be completed prior to the submission of the OSC ACFR package to OSC.
- ii. In addition, validation procedures should be performed on the transaction file prepared for the State Auditor's Office, prior to submission.

c. Utilizing the OSA Proforma:

The Controller's Office should follow the financial statement proforma issued by the Office of State Auditor when preparing its annual financial statement report.

[Refer to the OSC/OSA website for the most current proforma.](#)

d. Completing Financial Statement Disclosures:

Financial statement disclosures should be reviewed by an accountant having training / knowledge of GASB disclosure requirements to verify the disclosures are complete, accurate, and properly documented to meet the requirements of OSC and GASB reporting standards. The OSC ACFR package disclosures are a source for certain university's financial statement disclosures. When practical, the related university notes to the financial statements should be prepared at the same time as the OSC ACFR disclosures to minimize risk of error and improve efficiency.

e. Completing the Component Unit Template:

The University should complete the component unit template for organizations determined to be discretely presented component units in the format required by the Office of State Controller by September 10th. Adjustments needed for the University's financial statement presentation and the OSC ACFR presentation template, as well as evidence of the agreement of those presentations to the component unit financial



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statements, should be documented, independently reviewed and approved by appropriate personnel.

[Refer to the OSC website for the most current Component Unit Reconciliation Template.](#)

f. Completing the Cash Flows Statement:

A Cash Flow Statement should be completed using an approved template. The Cash Flows should be reviewed for current and prior year differences and significant variances reviewed and properly explained. The completed Cash Flow Statement and all reclassification adjustments needed for articulation to reported cash amounts should be documented.

The Statement of Cash Flows and the supporting template and documentation should be reviewed and approved by an accountant having training / knowledge of GASB Cash Flow Statement requirements. The Cash Flow Statement, as well as the other financial statements, should be completed, reviewed, and approved by the required submission date.

[See Appendix for Illustrative Cash Flow Template](#)

g. Completing the MDA:

The University should complete an MD&A for its financial statements as well as the OSC ACFR package. Information for the MD&A should agree to the Financial Statements and explanations for significant changes supported with analysis, inquiries, documented evidence, and computations as required. The review and analysis over the comparison between current and prior year balances in Standard #12 may be used as a source for these explanations. The MD&A should be reviewed by a responsible accountant trained and knowledgeable of the MD&A standard requirements. The MD&A must include only the following sections and may not include projections or events that have yet to occur:

- i. Financial Statement Highlights
- ii. Description of the Financial Statements and how they are used
- iii. Condensed comparative summary financial information for the SNP and SRECNP with explanations for the significant differences between current and prior year amounts.
- iv. Discussion of Debt Program
- v. Discussion of the Capital Program
- vi. Known Economic Factors that will Affect the Future

The University Controller's Office should develop an MD&A template that can be used to prepare this required supplemental reporting. The MD&A should be completed, reviewed and approved by the required submission date.

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## h. Completing the IPEDS Report:

The University should complete the IPEDS report for UNC-System Office by the required date. Items reported on the IPEDS report should either be from the financial statements or reconcile back to the financial statements. Certain information is based on data from other functional offices such as the endowment office, foundations office and debt office. Proper documentation for the support of amounts reported including separate calculations, distributions, and adjustments should be maintained and attached to the draft IPEDS report for review and approval. The IPEDS report should be reviewed by an accountant that is trained and knowledgeable of the IPEDS reporting requirements prior to its submission to the UNC-System Office.

## 11) Validating Year End Files When Using a Separate Chart or Instance:

For Banner system schools that use an extra Chart or Banner instance, a reconciliation should be performed to verify that cash transactions, or in cases where an extra Chart is used, summarized cash transactions, are loaded correctly into Banner for year-end financial processing. Evidence of reconciliation/review and sign-off by the reviewer should be documented on an approved reconciliation template.

## **Process VII - Spending Guidelines**

### 1) Assigning Responsibilities:

The CFO should designate an official or functional office that is responsible for the development of the basic spending guidelines for the various university funding sources received. The spending guidelines developed should be approved by the CFO or designee prior to its implementation.

### 2) Establishing and Communicating Guidelines:

The approved spending guidelines should be published and made available to all business officers and departments authorizing expenditures. The guidelines should include discussion of:

- a. Spending considerations related to all sources of funding
- b. Spending considerations related to specific sources of funding and may include the following:
  - i. State Operating Funds – Appropriations & Receipt Supported
  - ii. Carry forward Funds – State Funds
  - iii. Overhead Receipts Trust Funds
  - iv. Educational and Technology Fee – Trust Funds
  - v. Auxiliary and Related Trust Funds
  - vi. Vending Facilities Trust Funds
  - vii. Contract and Grant Trust Funds

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- viii. Residual Fixed Price Contract Funds
- ix. Industry Membership Center Trust Funds, if applicable
- x. Restricted Gift Trust Funds
- xi. Endowment Spending Account Trust Funds
- xii. Student Activity / Orientation Fee Trust Funds
- xiii. Patent Royalty and Related Trust Funds
- xiv. Medical / Veterinary Faculty Practice Trust Funds, if applicable
- xv. Operation and Maintenance of Forests Trust Funds, if applicable
- xvi. Agency and Fiduciary Trust Funds
- xvii. Discretionary Trust Funds
- c. Spending that would not be considered allowable in general or from the various funding sources

### 3) Training Users:

Training should be provided to the business officers and departments related to the published spending guidelines.

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## Appendix

The following list of templates, supplements, and guidance, by sub-process, are for illustrative purposes only and should not be considered authoritative. When used, the illustration(s) should be customized to satisfy management's internal needs and requirements, and the unique circumstances at each school. The templates and examples were developed when the standards were created and due to time constraints have not been consistently updated to reflect current practices. As a result, starting in June 2023, the BPCP has developed an alternative way for the institutions to network and obtain necessary information about current practices.

A “Functional Responsibilities List” has been created that provides for the identification of individuals assigned responsibility for (1) Functional Activities, (2) Maintenance of Form and Guidance Documents, and (3) Key Individuals at each institution. The Functional Responsibility List is maintained and accessible on the BPCP SharePoint site. The List is provided in an excel format, and in order to be able to use it for research, data filtering is turned on. Data filtering allows you to specify the specific responsibilities, institutions, or tier groups as your research parameters. The data filtering results will provide you with a list of individuals and associated contact information for networking to assist your research in obtaining current information relative to policies, procedures, and practices in place at other institutions.

### Process I - Bank Account Reconciliation

- A. Guidance to State Disbursing Bank Account Reconciliation
  1. Download State Treasurer’s Bank Statement from Core Banking System. This statement reflects the beginning balance in the disbursing account. It also reflects the end of month balance as recorded at the State Treasurer.
  2. Determine requisitions processed in the system – print the NCFS “Daily Disbursements (requisition) Report” maintained by the State Controller’s Office for the applicable budget codes and Capital Improvement (CI) budget codes. These codes should be obtained from the University’s Budget Office. The NCFS “Deposits Report” represents total deposits certified during the month. Further, it represents the requisitions submitted to the state budget office for deposit in the state treasurer bank account.
  3. Use AppWorx to receive e-mail advising that cleared check file has been received from the State Treasurer’s Office.
  4. Run the Banner Finance Check Reconciliation Interface WURCKRC.
  5. Run Bank Reconciliation Process FARBREC in R Mode. This report compares data from the FABBKTP table in Banner to checks on FABCHKS. If a matching report is found, the report will indicate if the Bank amount is not equal to Banner amount.
  6. Make necessary adjustments in Banner for the un-reconciled amounts and run FARBREC in F mode. This will clear all reconciled checks from FABBKTP and set reconciled indicators on FOIDOCH.

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7. Run Bank Reconciliation Aging Report – FARAAGE. This report provides an aging of reconciling items.
  8. Attach copy of last month's state disbursing account reconciliation to the current month's reconciliation. Verify that deposits listed as in transit on last month's reconciliation are listed on the current month bank statement from the State Treasurer.
  9. Verify that warrant corrections made in the current month by the state treasurer are valid. Compare warrant corrections to previous month's list of bank encoding errors on the bank reconciliation. Eliminate items that have been resolved from this list.
  10. Verify deposit per the NCFS "Deposits Report" to deposits on the State Treasurer's Bank Statement. Enter any deposits in transit/requisitions in transit. Enter any electronic warrants in transit that are on the state treasurer's statements but not recorded in Banner.
  11. Verify transfers per the NCFS "Daily Transfer Report" to transfers on State Treasurer's Bank Statements
  12. Enter and verify outstanding check figure on the reconciliation. (**Note:** refer to guidance for outstanding check reconciliation).
  13. Once reconciliation is complete, validate using the State Verification form on State Treasurer's website.
- B. Guidance to Institutional Trust Fund (ITF) Bank Account Reconciliation
1. Download State Treasurer bank statement from CORE Banking System.
  2. Obtain the Daily Activity Report from Cashiers Office.
  3. Obtain previous month's bank reconciliation.  
**For Deposits:**
  4. Verify that deposits listed as in transit on last month's reconciliation are listed on the current month statement of account.
  5. Compare the daily cashier report to the amounts deposited on the bank statement and note any discrepancies.
  6. Identify all in-transit deposits and record them in the current month bank reconciliation.  
**For Transfers-In:**
  7. Verify that Transfers-In listed as in transit on last month's reconciliation are listed on the current month statement of account.
  8. Identify all Transfers-In in transit and record them in the current month bank reconciliation.  
**For Transfers-Out:**
  9. Verify that Transfers-Out listed as in transit on last month's reconciliation are listed on the current month statement of account.
  10. Identify all Transfers-Out in transit and record them in the current month bank reconciliation.  
**For Requisitions:**
  11. Verify that Requisitions listed as in transit on last month's reconciliation are listed on the current month statement of account.

# General Accounting Standards

12. Identify all Requisitions in transit and record them in the current month bank reconciliation.  
***For Balance per Books***
  13. Use the FGRCASH report to get the ending cash balance for ITF. This is the Balance per Books (Banner).
  14. Add/deduct any reconciling items that affect Banner but are not reflected above to arrive at the Adjusted Book Balance (Banner).
- C. Guidance to Non-State Treasurer Imprest Account Reconciliation (Checking & Cash Accounts)
1. Obtain most recent bank statement (for checking accounts). Count cash on hand (for cash accounts) on a monthly basis.
  2. Complete the reconciliation form.
  3. Identify and resolve any discrepancies.
  4. Send the completed reconciliation form and supporting documentation to the Controller's Office.
  5. Controller's Office staff review (sign and date) reconciliation.
  6. Reviewer discusses any issues with account custodian.
  7. File reconciliation at a secure location for audit and retention purposes.
- D. Guidance to Return Check Clearing Account Daily Process Reconciliation
1. Via U.S. Mail, the bank returns checks that have been returned (NSF) to the designated employee.
  2. The designated employee requests a check from Accounts Payable for the total amount of the returned checks. After appropriate department and accounting office approval, the check is written and picked up by the designated employee. The system records an Accounts Payable journal in the return check clearing project debiting the clearing account and crediting cash.
  3. The designated employee mails the buyback check to the bank.
  4. If the return checks are from departmental deposits, they are recorded back with a general journal entry to the department's original account code after review and approval by the designated supervisor. The journal entry is posted crediting the return check clearing account. The returned checks are mailed to the departments as support for the charge back to their accounts and for departmental collection action. Appropriate \$25.00 returned check fees are charged to the departments.
  5. If the return check is for a student account collection, the check payment is reversed from the student account crediting the student payment clearing account. A journal entry is recorded to debit the student payment clearing account and credit the return check clearing account. Appropriate \$25.00 returned check fees are charged to the students.
  6. At this point, all the checks returned should be distributed providing a zero balance in the return check clearing account and the student payment clearing account.

# General Accounting Standards

7. Student returned checks are maintained for audit and retention purposes by the University Cashier's Office.
  8. The designated employee reviews the return check clearing account at the end of the day to see that it has zeroed out and is reviewed by the designated supervisor before month end close to verify that it has a zero balance.
- E. Guidance to Outstanding Check Reconciliation
1. Receive canceled check files from the bank monthly.
  2. Run FARBREC monthly in Final Mode, using AppWorx or other scheduling software.
  3. Reconcile with FARBREC monthly.
  4. Use FAABREC to manually drop checks not received from bank and encoding errors.
- F. Banner Reports Menu
1. FGRCASH– Daily Bank Activity Report
  2. FARBREC – Bank Reconciliation Report
  3. FARBBAL – Bank Reconciliation Balance
  4. FARAAGE – Bank Reconciliation Activity Aging
  5. FABCHKS – Batch Check Selection
  6. FABBKTP – Bank Tape Table – provides the capability to automatically perform bank reconciliation by inserting records into the table.
  7. FOIDOCH – Review Document History
  8. FAABREC – Bank Tape Reconciliation Form – provides the capability to interface bank tapes or manually enter bank reconciliation information.
- G. Illustrative Templates & Guidance for Bank Account Reconciliation
1. [Bank Account Reconciliation Illustration – State Disbursing](#)
  2. [Bank Account Reconciliation Illustration – Institutional Trust Funds](#)
  3. [Bank Reconciliation Illustration – Non-State Treasurer Imprest Checking Accounts](#)
  4. [Reconciliation Illustration – Non-State Treasurer Imprest Cash Accounts](#)
  5. [Daily Process Reconciliation Illustration – Return Check Clearing Account](#)

## Process II - Journal Entries

- A. [Internal Procedures for Journal Entries Illustration](#)
- B. [Internal Procedures for Journal Entries Illustration](#)
- C. [Journal Entry/Journal Voucher Forms Illustrations/Guides](#)

## Process III - Maintain Fund Accounts

- A. [Illustrative Banner Security Form](#)
- B. [Illustrative Example of State Fund Request](#)
- C. [Illustrative Example of Trust Fund Request](#)
- D. [Institutional Trust Fund Authority Form](#)
- E. [A Power Point Training Presentation on Administering Trust Funds](#)

# General Accounting Standards

- F. Example of Trust Fund Rules and Regulations: <http://policies.ncsu.edu/page/accounting-trust-funds-definitions>
- G. Example of Trust Fund Guidelines: [https://materialsmgmt.ofb.ncsu.edu/uploads/pdf/guidelines\\_June2011.pdf](https://materialsmgmt.ofb.ncsu.edu/uploads/pdf/guidelines_June2011.pdf)
- H. [FOAP: Understanding Banner Accounting Terms](#)

*[NOTE – RECENT LEGISLATIVE CHANGES WERE MADE TO THE TRUST FUND LEGISLATION THAT WILL AFFECT THE ABOVE EXAMPLE DOCUMENTS. REVISION OF THESE DOCUMENTS ARE PENDING.]*

## Process IV - Maintain Daily Cash

- A. [Daily Banking Activity Overview](#)
- B. [Daily Deposits Reconciliation Illustration](#)
- C. Disbursement Activity
  - 1. [Daily Disbursement Needs Determination Illustration](#)
  - 2. [Monthly Disbursements Reconciliation Illustration](#)
- D. [NCFS Transfers Reconciliation Illustration](#)

## Process V - Month End Close

- A. Guidance to monthly reconciliation and reviews of funds

Introduction: In the University's decentralized environment, managers of departments and other cost centers are responsible 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 or designees should perform monthly reconciliations of income statement (revenue and expenditure) activity and balance sheet activity that affects their departmental operations, and the operations of the University as a whole. Some of the steps that should be performed as part of the reconciliation are:

1. Confirm opening balance of the fund. This should agree with the ending balance from the prior month.
2. Check-off transactions processed in Banner against departmental records.
3. Salaries and wages should be checked to be sure that no one was paid who should not have been paid, and that the amounts are reasonable.
4. Operating expenditures should be checked individually to be sure that all of the posted expenditures did in fact belong to the department.
5. Check the open commitments to determine if they properly reflect activity against purchase orders.
6. Research transactions processed earlier than 30 days of month end, and not yet appearing on Banner.
7. Research transactions that appear in Banner but not processed by your department.
8. Review reasonableness of fund totals.

- B. Illustrative Templates and Guidance for Month End Close



# General Accounting Standards

1. [Month End Close Checklist Illustration](#)
2. [Month End Closing Schedule Illustration](#)
3. [Monthly Processing Schedule Illustration](#)
4. [Monthly AP Pay Cycle Schedule Illustration](#)
5. [Reconciliation Tracking Worksheet Illustration](#)
6. [Key Account Reconciliation Illustration](#)
7. [Clearing Account Reconciliation Illustration](#)
8. [Monthly Account Activity Reconciliation/Review Checklist Illustration](#)
9. [Monthly P-Card Activity Statement Reconciliation Illustration](#)
10. [Month End Close Reconciliation Template Illustration](#)

## Process VI - Year End Close

- A. Illustrative Templates and Guidance for Year End Close
  1. [Illustrative Year End Cash Close Schedule](#)
  2. [Illustrative Year End Plan](#)
  3. [Illustrative Cash Flow Template](#)
  4. [Illustrative MD&A Template](#)
  5. [Illustrative Banner Year End Processing Schedule](#)

## Process VII - Spending Guidelines

- A. [Illustrative Basic Spending Guidelines by Fund Source](#)
- B. [Illustration - North Carolina A&T State University – Basic Spending Guidelines by Fund Source](#)
- C. [Illustration – The University of North Carolina at Pembroke – Basic Spending Guidelines by Fund Source](#)