Best Practice Guidelines for Review of General Ledger Activity

Purpose

Vanderbilt employs numerous control activities to enhance the appropriate, accurate, and timely recording of general ledger activity. Among those control activities, Center Responsible Persons or their assigned designees review general ledger transactions in their respective cost center(s) for reasonableness and propriety (as required by Policy 215, Responsibilities of Center Responsible Persons). This supplement is intended to provide additional details and best practice guidelines for performing such a review.

Background

Vanderbilt University utilizes McCormack & Dodge Millennium (“M&D”) software as its general ledger (“GL”). The M&D GL is the summary record of all institutional financial activities. Transactions post to the GL via electronic interface from the institution’s various sub-systems (e.g., Medipac, Epic, PeopleSoft, etc.), as well as through manual journal entries submitted to finance offices from departments. The GL aggregates transactions by cost center number and account number based on the applicable department/area/institute, etc. and by type of activity.

The day after each month-end close, the GL generates the MD091 Report of Transactions and, if applicable, the MD092 Report of Prior Period Transactions (i.e., when transactions with an effective date in a prior period have been posted during the current period) for each cost center. These reports include all itemized transactions posted for the respective cost center and time period. Simultaneously, this data is available via the electronic Distribution of general ledger activity (“eDog”) web application where it is retrievable by department personnel. Additionally, for departments utilizing the Departmental Management System (“DMS”), the DMS Transaction Review Module is available with all transactions reported on the MD091 and MD092.

Since it forms the basis of Vanderbilt’s internal and external financial reports, all general ledger activity, whether initiated by sub-system interface or by manual journal entry, must accurately reflect the business transactions of the institution. To help ensure such accuracy, and in view of the decentralized nature of much of the university’s operations, Center Responsible Persons (“CRPs”) must review general ledger activity in their respective cost center(s). Although this is not the only ongoing control activity designed to help ensure accurate financial information, it represents an important element in the institution’s overall system of financial controls.

While CRPs may delegate the tasks related to GL review, they may not delegate the accountability for that review.
Transaction Reviewers

For each active cost center, the “Transaction Reviewer” designation\(^2\) is assigned to one or more departmental representatives (e.g., the CRP is designated as “Transaction Reviewer”). More than one Transaction Reviewer may be designated for each cost center for backup purposes. The Transaction Reviewer(s) must ensure completion of adequate review and confirmation procedures for each reporting period for her/his respective cost centers. The procedures outlined in this document are deemed best practices, although adaptation based on individual department circumstances may be appropriate to reflect conditions specific to the department’s business operations.

It is assumed that reviewers have an appropriate level of knowledge of departmental operations, and be sufficiently informed regarding activities underlying transactions, to perform effectively the tasks outlined. Likewise, these duties require a base of knowledge of internal control concepts, including appropriate segregation of duties, and the ability to make informed judgments about reasonableness, risks, irregularities, variances, etc. To this end, actual performance of these internal control related tasks often requires the involvement of more than one individual, with a single CRP/Transaction Reviewer ultimately responsible for ensuring all necessary activities were performed.

Additional considerations related to assigning this role/privilege/responsibility include the following:

- Ensure Transaction Reviewer assignments are reasonable considering the anticipated monthly volume of transactions requiring review for the respective cost center(s); and
- Ensure proper lines of accountability and segregation of key duties are maintained.

“Best Practice” Review Activities

An overview of best practices related to the process a CRP/Transaction Reviewer should complete by way of review and confirmation of general ledger activity follows:

1. On the day after month-end close\(^3\), personnel with eDog access to at least one cost center receive an email notification regarding the availability of reports and monthly transactional data in the eDog application. For the cost center(s) for which you (as

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\(^2\) Given the variation in job titles and organizational structures across the institution, this designation will be made by Administrative Officers, Business Officers, Business Managers, etc. (here generally referred to as “business owners”). The expectation is that for each cost center, these business owners are charged with administrative and oversight responsibilities, which includes determining who should be responsible for monitoring detailed transactions in that cost center.

\(^3\) Refer to Policy #101, Month-end Close Schedule, for specific dates (click title to view policies homepage)
CRP/Transaction Reviewer) are responsible\(^4\), retrieve the MD091 report(s) and, if applicable, the MD092 report(s), or retrieve transactional data through the Monthly Summary and/or Detailed Transaction Data tabs in the eDog application. Alternatively, for departments utilizing DMS, these transactions may be reviewed via the DMS Transaction Review Module work lists (i.e., Labor, Non Labor & Other, and Revenue and Balance Sheet).

2. Complete transaction review and confirmation procedures as follows:
   - Review each transaction on the report for the center and period. When reviewing, consider the following:
     - Ensure each transaction appears properly classified for center, account, and period;
     - Ensure each transaction appears reasonable and appropriate (recipient or payee, amount, and timing are all relevant attributes in the context of such an assessment, as well as the substance of the transaction, e.g., what is being paid for and the business purpose) based on departmental operations and activities and/or by making appropriate inquiries;
     - Consider what did not appear on the report(s) but should have (e.g., missing invoices, allocation entries, etc.); and,
     - For material, unusual, or unfamiliar transactions, make appropriate inquiries and/or review appropriate source documentation.
   - Please note the following:
     i. Although every transaction will not warrant additional follow-up, the effectiveness of overall control activity relies on the good judgment of the Transaction Reviewer to take extra steps when appropriate; and
     ii. When in doubt, review supporting documentation and conduct follow-up inquiries.
     iii. For additional information to help facilitate the above procedures by account and/or transaction type, see Appendix A.
   - When discrepancies are identified, initiate steps to remediate (e.g., submit correcting journal entries) and, take necessary steps to prevent recurrence (e.g., submit request to change center number charged on a recurring purchase order).
   - When additional information related to a journal entry is required, or when a transaction appears to have been entered improperly, contact the source department for the journal entry per the Journal Entry Identifiers contact listing to obtain the necessary back-up information and/or documentation.
   - When a cost center in the general ledger should be closed, notify Finance or the Office of Contract and Grant Accounting (“OCGA”) as appropriate for University Central cost centers, or the VUMC Department of Finance (“VUMC Finance”) for Medical Center cost centers. Also, note:

\(^4\) Refer to the Privilege Management (PM) system to determine the center(s) for which you have eDog Viewer or Transaction Review Verification access. Please see documentation [here](#) regarding how to pull this list in PM.
Transactions must not be posted to a cost center that has been "closed"; and
Surpluses and deficits must be resolved prior to a cost center being "closed."

3. Once the preceding steps have been completed, documentation must be maintained demonstrating that the review has been conducted. One frequently used tool available to generate this documentation is to log into eDog or the DMS Transaction Review Module and certify review completion via “online sign off” for the appropriate center(s) and report period(s).

**Confirmation and Timeliness**

eDog and DMS sign-off indicate department personnel have completed the review and confirmation process, and all resulting corrective actions have been completed, initiated, or otherwise planned as appropriate. Confirmation/documentation of review (e.g., via online sign-off in the eDog or DMS systems) does not indicate the review was error free, nor does it indicate that all remediation procedures have been completed. When errors are identified that require adjustment to the general ledger, those adjustments should be made in a timely manner (i.e., by close of the next reporting period). Accordingly, the following statement is displayed in eDog and DMS during the confirmation process:

“In accordance with Finance guidelines, appropriate general ledger transaction review and follow-up procedures have been performed for the center(s) and reporting period(s) indicated.”

To ensure timely resolution of issues identified during the review process, appropriate review and confirmation procedures should be completed and documented for a given reporting period within a reasonable timeframe. Best practice suggests completion prior to the close of the subsequent reporting period. The review process may require a more extended period in which to be effectively completed; however, extension of the review period beyond 90 days must be approved by an appropriate member of Finance (i.e., University Finance for University Central non-contract/grant centers, OCGA for University Central contract/grant centers, and VUMC Finance for all Medical Center centers).

Unlike the months of July through May when one electronic sign off per month is recorded in eDog or DMS, June financial activity is to be reviewed after each general ledger close during fiscal year-end processing, and final review confirmed after the final close in late July. Any

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5 For more technical information regarding retrieval of reports or data and completing online sign-off, refer to the eDog Online User Guide here, or to DMS resources here. Use of the online sign-off functionality requires assignment of the Transaction Review Verification role for the center or related sumto within Vanderbilt’s Privilege Management security application. For more information related to Privilege Management, please refer to the related Finance webpage.

6 Refers to this document
corrections are to be submitted in accordance with the year-end close schedule calendar, which can be found on the Accounting Resources section of the Financial Accounting and Planning homepage.

### Special Considerations Related to Federal Contract and Grant Expenditures

Given the considerable regulatory requirements related to Federal contracts and grants, as well as the volume of transactions recorded in cost centers associated with Federally-sponsored programs, numerous control activities are performed at various organizational levels to help ensure compliance with institutional policies. These include Cost Transfer Guidelines, as well as all applicable Federal requirements. Monitoring and timely correction of errors is critical to help ensure Federal programs are accurately administered consistent with the terms and conditions of the respective contract or grant agreements, effectual and timely performance of these review procedures as clarified in this supplement is important.

Vanderbilt’s post-award offices (i.e., OCGA for University Central and VUMC Finance for the Medical Center) rely on various internal control processes to monitor Federal contract and grant post-award activities, which are in addition to control activities performed at the department level. This layered system of controls is intended to ensure all Federal funds are properly safeguarded and utilized. Specific questions about control activity related to Federally-sponsored contract and grant cost centers should be directed to OCGA or VUMC Finance as appropriate.

When reviewing and confirming general ledger transactions, CRPs should be cognizant of key elements related to Federal contract/grant oversight including the following:

- Indirect costs
- Cost transfers
- Salary cap calculations for applicable HHS agency-funded contracts and grants
- Administrative and clerical costs
- Direct costs
- Effort report certifications

Department personnel collaborate with OCGA or VUMC Finance at the completion of an award term to prepare an award “close-out” review which facilitates preparation and submission of the final financial report required by the awarding agency. Specific questions about these reviews should be directed to OCGA or VUMC Finance as appropriate.

Finally, CRPs and other department personnel with applicable responsibilities are expected to utilize additional available resources related to post-award administration and available on the OCGA and VUMC Finance websites. These include an administrative quick-reference guide, as
well as links to other related policies, guidance, and training opportunities. The importance to
the institution of accountability and effective oversight related to Federal contracts and grants
cannot be overemphasized.

Support

Unless directed to other specific points of contact above, all questions regarding these
guidelines should be directed via email to finance@vanderbilt.edu. Generally, a response can
be expected within one business day.

Supplement Approval

These guidelines are effective July 1, 2012. The trustee for this document is Finance.

Last Revised: August 2012
# Appendix
Guidelines for Supporting Documentation by Transaction/Account Type

<table>
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<tr>
<th>Transaction/Account Types</th>
<th>Supporting Documentation Guidelines*</th>
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<tbody>
<tr>
<td><strong>Payroll</strong></td>
<td>Verify using the labor reports in WALDO(^7) or DMS. As appropriate, vouch to transactions in ePAC(^8), Personnel Action Forms (“PAFs”), Additional Pay Forms (“APFs”), and/or to DMS labor encumbrance data as necessary.</td>
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<tr>
<td><strong>Non-payroll expenses</strong></td>
<td>Tie transactions to source documents (e.g., accounts payable invoices, check requests, P-card receipts, 1180s, etc.) and/or other appropriate supporting documentation, or to DMS encumbrance data supplemented by this same supporting documentation.</td>
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<td><strong>Revenue</strong></td>
<td>Revenue activities and corresponding supporting information vary. For some departments, the best tools for evaluating revenue activity may be budget vs. actual variance reports. The Transaction Reviewer should ensure that appropriate personnel have analyzed budget variances and can validate the reasonableness of reported revenue. In other instances, revenue activity may be agreed directly to sub-system reports (e.g., tuition revenue per Student Accounts reports). If additional assistance is required concerning how best to conduct this review in your department, please contact University Finance (for University Central departments; Divisions 20-99) or the VUMC Department of Finance (for Medical Center departments; Divisions 01-19).</td>
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| **Allocations, transfers**| **Originating cost center:** Verify accuracy of allocation or transfer to appropriate supporting documentation  
**Receiving cost center:** Confirm that posting of allocation or transfer to your cost center was appropriate and amount appears reasonable |
| **Balance sheet accounts**| University Finance and VUMC Department of Finance personnel reconcile many institutional balance sheet accounts such as certain accounts receivable and payable accounts, some of which are also allocated across multiple department cost centers. For such accounts, an informed review at the department level for reasonableness should be sufficient. For balance sheet accounts maintained and reconciled at the department level, confirmation should be obtained that the account has been reconciled for the most recent period, and that any unreconciled variances are actively being researched to resolution. |

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\(^7\) Web Access to Labor Data Online  
\(^8\) electronic Personnel Action Change