



UNDERSTANDING THE STATEMENT OF ACCOUNT

and

REQUIREMENTS FOR ACCOUNT REVIEW/RECONCILIATION OF BUDGET GROUPS

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Introduction

This training guide will assist with your understanding the Statement of Account produced by DEFINE and the requirements for performing monthly account reviews/reconciliation of budget groups.

The University of Texas operates on a 12 month fiscal year which runs from September 1 to August 31. Budgets, appointments, and external reporting are all done for this 12 month period. A lot of accounting activity takes place as the old fiscal year ends and the new fiscal year begins. Each month you will receive a monthly statement of account to review and reconcile.

Accounting Services in coordination with the Controller prepares the Annual Financial Report (AFR). This report is combined with other UT components into the Consolidated Annual Financial Report for the University of Texas System. The consolidated report is then combined with other state agency reports into the Texas Annual Financial Report.

Fundamentals of UTSA's Chart of Accounts

Before describing what information is found in the SOA, it is important that you understand the DEFINE system chart of accounts.

Account Structure

The account number is a 10-digit number used for recording accounting transactions. The number is broken down into three parts.

UTSA Account Structure				
Account Number	14	025000	50	
	A	B	C	
A. Fund Group				
B. Budget Group				
C. Sub Account (Budget Category)				

SOA – Statement of Account and Account Review / Reconciliation of Budget Groups

Fund Group – The first two digits of the account number specifies the source of funds. Below is a list of fund groups

- 14 – Educational & General (E&G Funds)
- 18 – Service Centers
- 19 – Designated Funds
- 26 – Grants & Contracts
- 29 – Auxiliary Enterprise Funds
- 30 – Gift Funds
- 32 – Loan Funds
- 36 – Plant Funds
- 41 – Agency Accounts

Budget Group – The first 8 digits of an account number represent a budget group. Each department or academic entity may have several budget groups.

Sub-Account (Budget Category) – The last two digits of the account number specifies the purpose of funds. A budget group could have multiple categories.

Unit Code – The unit code determines the department, division or college an account belongs to. The unit code is sometimes embedded in the 10-digit account number. This does not apply to the following fund groups: 26, 32, 36, and 41.

Statement of Account (SOA)

What is the SOA?

The Statement of Accounts (SOA) is an official listing of all accounting transactions that have been posted to a UTSA account. Every administrator that has been given budget authority to spend UTSA funds is required to reconcile the statement of account each month. Proof of reconciliation is required during a quality assurance review conducted by the UTSA office of Office of Institutional Compliance and Risk Services. <http://www.utsa.edu/leadershipaccount/>

Where does the SOA come from?

Statements are generated on a monthly basis through DEFINE by the Accounting Services department after the month's financial activities have closed. The reports are mailed to each account administrator around the 15th of each month.

Statements will not generate if there has not been any accounting activity in a given month.

Where can I get more information about the SOA?

If you have questions about your Statement of Account or Reconciliation procedures, assistance may be obtained from:

1. Web: <http://www.utsa.edu/accounting/>
2. E-mail: accounting.ofc@utsa.edu
3. Contacts: Accounting Services Department 4834/4827/4525

What does the SOA consist of?

The Statement of Account field descriptions are found below. A sample SOA is found at the back of the pack:

- 1. Account number, account title, and address:** This section contains basic but crucial information. The account number and title of the account indicate the account type. The mailing address indicates where the statement will be sent. Also displayed in this section is the account administrator's name. **NOTE: if you need to update the mail code contact HR. If you need to update the Administrator or anything on an account, please complete the Unit and Account Request Form located at <http://www.utsa.edu/financialaffairs/Forms/accounting/DEFINESYSTEMUnitandAccountForm.xls>.**

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2. **Name or Description:** A name or brief description of the transaction is displayed in this column.
3. **Department No.:** Commonly referred to as DTN (departmental transaction number). This is an optional number that a user/department may assign to a transaction (limited to 7 numbers/characters). If a transaction has been assigned a DTN, it will be displayed in this column. **NOTE: You can view Transactions by DTN using DEFINE command GT5. For more information on assigning DTNs, consult the Accounting Services Department at accounting.ofc@utsa.edu or call the Accounting Services Department at 4834/4827/4525.**
4. **P.O. No.:** When a purchase requisition is authorized by Purchasing, a P.O. (Purchase Order) number is assigned. For documents that do not receive purchase order number assignments, such as travel requests, that number will also appear in this column (e.g. TV0000). **NOTE: You can view Transactions by P.O. Number or Travel Request Number using DEFINE command GT3. You can view remaining balances on a P.O. using DEFINE command GE3 or view all outstanding encumbrances on an account by using DEFINE command GE1. Refer to DEFINE training '[Introduction to DEFINE \(DE 650\)](#)' for more information about using these commands**
5. **Voucher No.:** This number is assigned to a transaction upon final approval. Each document is assigned a unique voucher number consisting of 7 digits: one alpha character followed by six numeric characters. The alpha character identifies the voucher or transaction type. Listed below are examples of Voucher types:

B – Balance forward entry (from the prior fiscal year)

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- C** – Cash receipt (e.g. monies deposited into an account)
- J** – Journal voucher (e.g. budget transfer, accounting corrections)
- L** – Payment check issued by UTSA
- O** – Obligation in the form of an encumbrance for purchase or travel requisitions
- S** – Warrant (check) issued for payment by State Comptroller’s Office
- T** – Transfer (interdepartmental) from a service center account to bill for goods sold or services rendered. (e.g. Facilities work orders)

NOTE: You can view Transactions by Voucher Number using DEFINE command GT2. Refer to DEFINE training [‘Introduction to DEFINE \(DE 650\)’](#) for more information about using this command.

6. **Date:** The date the transaction was recorded to the accounting records. It is commonly referred to as the ‘record date’ in DEFINE.
7. **Obj. Class:** Short for object class code, which is the 4 digit number used by central Financial Affairs’ processing departments such as Accounting, Disbursements, etc. to categorize transactions for financial reporting. *Every transaction must have an object code.* Listed below are examples of **object code types:**
 - 0 = Encumbrance Object Codes**
 - 1 = Expenditure Object Codes**
 - 3 = Income (Revenue) Object Codes**
 - 7 = Transfer of Funds Object Codes (non-state funds)**
 - 9 = Budget Adjustment Object Codes**

NOTE: You can view a listing of object class codes sorted in numerical order using DEFINE command GG8 or searches by keyword order using DEFINE command GG9.

8. Balance Fwd: Balances carried forward from a previous fiscal year are displayed in this column. Balance forward entries are posted with VJB documents. At the end of the fiscal year, Accounting Services closes the year and certain remaining balances can be carried forward to the new fiscal year. Refer to the Budget Transfers & Lapse Guidelines found at the Budget Offices Website:

<http://www.utsa.edu/financialaffairs/budget/>

Material encumbrances are transactions that have an object class code of 0200. If a material encumbrance remains open at year end, they are brought forward to the new year.

9. Trans & Adj: Transfer and budget adjustment entries display in this column.

10. Orig Budget: Original budget is also known as ‘base budget’ and represents the permanent authorized budget for an account as approved in the campus’s operating budget.

11. Exp/Inc: Short for expenditure and income; depending on the account type, expenditures or income entries display in this column. Expenditures are shown as negative amounts; income is displayed as positive amounts.

12. Enc/Inv: Short for encumbrance and investment. Only encumbrance and disencumbrance transactions show in this column.

➤ **What is an encumbrance?**

An encumbrance is a special type of accounting transaction to reserve or obligate funds that will be used for future expenditures (the funding is deducted from the available budget balance, so the department will have money available to honor its commitments.) Encumbrances are reversed when the expenditure/payment is made. Reversals are called disencumbrances. If disencumbrance does not occur, the budget

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balance available is affected. These entries may or may not occur in the same month. Encumbering funds is a common means to enforce fiduciary responsibility: all encumbrances require proper authorization before a financial commitment occurs. ***Approval certifies that the account administrator is acting in the best interests of UTSA when committing university funds for the purchase or travel transactions.***

All salaried appointments are encumbered for the entire fiscal year by DEFINE, as are purchase and travel requests in an amount estimated by the requisition.

ENCUMBRANCE EXAMPLE

- a) A department with a \$7,000 budget
- b) Orders a \$1,500 computer and that amount is encumbered on a Purchase Order (PBO document). The ‘free balance’ (DEFINE terminology = budget balance available) is reduced by \$1,500, to a new total of \$5,500.
- c) The computer is received and a payment voucher (VP1 document) is prepared. A disencumbrance entry is created after the payment voucher is created. \$1,500 is disencumbered and increases the ‘free balance’ by \$1,500. The free balance is now \$7,000.
- d) Although not encumbered on the PO, the vendor has invoiced for \$100 in freight charges that are owed. A check is therefore issued to the vendor in the amount of \$1,600. The ‘free balance’ now shows as \$5,400.

DESCRIPTION	EXP/INC	ENC/INV	FREE BALANCE
<i>a) Budget balance before Purchase Order</i>			7,000.00
<i>b) Encumbrance created by Purchase Order</i>		1,500.00-	5,500.00
<i>c) Disencumbrance after the Payment Voucher</i>		1,500.00	7,000.00
<i>d) Approved Payment Voucher creates an expenditure</i>	1,600.00-		5,400.00

NOTE: You can view transactions by an encumbrance number using DEFINE command GT3. Alternatively, you can view the remaining balance on a PO using DEFINE command GE3, or view all outstanding encumbrances on an account by using DEFINE command GE1. Refer to DEFINE training ‘Introduction to DEFINE (DE 650)’ for more information about using this command.

13. Free Balance: DEFINE terminology for budget balance available. In the SOA it is computed by adding a transaction to the previous line’s ‘free balance’. Each budget category in a budget group is assigned to a budget pool. Budget categories within a budget group may be assigned to the same budget pool. In these instances the system combines (pools) the free balance of the different budget categories into one balance (pool balance). When the computer audits an account for funds it reads the pool balance, not the free balance. Pooling accounts can reduce the number of routine budget changes that might normally be required. In the below example, although the free balance in budget category is negative, the pool balance is positive and a transaction for \$5,000 or less will process.

<u>Budget Group</u>	<u>Budget Category</u>	<u>Budget Pool</u>	<u>Free Balance</u>	<u>Pool Balance</u>
19-XXXX-XX	50	01	-5,000	5,000
19-XXXX-XX	95	01	10,000	5,000

However, there are new pooling rules that must be followed so not all pooling request can be complete. See the new rules at <http://www.utsa.edu/financialaffairs/controller/docs/Pooling%20Rules-Rev062009.pdf>

14. Object Code Analysis: located near the bottom of the SOA, this section provides a summary of all account activity. Monthly and year-to-date balances are shown by object code.

Sub-Certification Process

What is the sub-certification process?

UT System administration Policy – UTS 142.1 requires each Account Owner to provide a sub-certification annually to the Financial Reporting Officer-the Associate Vice President for Financial Affairs. The sub-certification certifies that, among other items, their accounts are being reconciled timely, duties are properly segregated and no material weakness exists relative to their internal control.

Account Review/Reconciliation of Budget Groups

What is reconciliation of budget groups?

Reconciliation is a control activity to compare departmental records to the official accounting record. This term is used interchangeably at UTSA with the phrase “*Account Review*.” The Statement of Account (official accounting record) is reviewed against the department’s documentation of authorized financial transactions against a budget group (account).

The linked Reconciliation Flowchart provides procedures for reconciling budget groups:

<http://www.utsa.edu/accounting/Accounting/ReconcilingFlowchart.doc.url.htm>

An account “review” is required for budget groups with a total annual budget of less than \$100,000, while the full account “reconciliation” is required for those budget groups with a total annual budget of \$100,000 or greater. A list of UTSA budget groups that require the full reconciliation is located at <http://www.utsa.edu/accounting/Accounting/budgetgroupsfy04.htm> . E-mails are sent to these account administrators each fiscal year.

Why is review/reconciliation required?

Mistakes occur and can not be detected without reconciling your budget groups (accounts). This activity is akin to reconciling your personal checkbook. Reconciliation is essential to ensure accurate reports because it identifies errors and inconsistencies requiring correction. Reconciliation can help identify availability of funds and expose lack of internal controls. While not required for operating accounts under \$100,000, full account reconciliation is highly recommended.

What are the roles and responsibilities?

Account Administrator

The **account administrator** is responsible for all financial aspects of university funds allocated under their authority:

- Stewardship of the university's assets; preventing overspending of departmental budgets.
- Assuring accounts are reviewed each month and accurate accounting records are maintained. Certifying that reconciliation of accounts with total annual budgets of \$100,000 or greater has been completed.
- Assigning the duties of account reconciliation to a qualified employee and assuring that all duties of the account reconciler are completed, including record retention.
- Reviewing the reconciliation and signing each Statement of Account (SOA) for each budget category for each account, or alternatively, a SOA Reconciliation and Acknowledgement form. Signature indicates approval of all activity and agreement that financial transactions are appropriate.

Account Reconciler:

The **account reconciler** is responsible for:

- Keeping track of all transactions and related documents for any commitment of funds authorized against the budget group/account throughout the month. The best way to do this is with a department log with copies of each transaction approved for a budget group/account.

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- Completing a thorough monthly reconciliation against the Statement of Accounts for all accounts with annual budgets of
- \$100,000 or greater, following the steps in the Reconciliation Procedure Checklist. (Below)
- Promptly notifying and coordinating corrections to the official university accounting records as appropriate.
- Signing each reconciliation and obtaining the signature of the account administrator.
- Retaining supporting documentation and related records for the current year plus three, or a total of four fiscal years. All documentation must be readily available for inspection if requested. Documentation may be paper or electronic.

Reporting

A report of all responses is sent to the Office of Compliance and Risk Management at the conclusion of this process. Compliance may use this information to determine future priorities for Quality Assurance Reviews.

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<p>UTSA Account Review/ Budget Group Reconciliation Checklist with Total Annual Budget of Less Than \$100,000</p>	<p>COMPLETED (✓/DATE)</p>
<p>1. Establish a pending file with paper copies of transaction documents for the month (PO's, Petty Cash Receipts, Work Request, Deposit Slips, etc.) If you use Excel, Quicken or QuickBooks, keep track of the paper documents that have been entered into your system.</p>	
<p>2. Statement of Account received after the 15th of each month for any budget group with financial activity. If you did not receive, contact Accounting Services Department at ext. 4212.</p>	
<p>3. Compare the beginning balance of the current month to ensure it matches the Ending balance from the previous month's SOA.</p>	
<p>4. Review and scan SOA for unusual entries.</p>	
<p>5. Ensure that any unreconciled items from the previous month have been corrected. Follow-up as necessary.</p>	
<p>6. Match each transaction listed in the SOA to a document in your pending file / departmental log.</p>	
<p>7. Denote that transactions agree to the supporting documentation by placing a check mark (✓) after each item. Once your paper transaction documents are cleared they can be moved to your "permanent" files.</p> <p>You may not have paper documentation for the following transactions:</p> <ul style="list-style-type: none"> • Mail Services: review charges to determine reasonableness given the volume of mail you may process. • Facilities Services – match your pending workorders • Telephone Services – match to phone bills. 	
<p>8. Each employee's name appearing on the SOA for salary budget categories should be verified to ensure the employee listed is employed by the department and that appropriate salary amounts were paid and disencumbered.</p>	
<p>9. Note and resolve items that do not agree with supporting documentation. Contact one of the following individuals for corrections; retain copies of any email requesting corrections.</p>	

SOA – Statement of Account and Account Review / Reconciliation of Budget Groups

<p>UTSA Account Review/ Budget Group Reconciliation Checklist with Total Annual Budget of Less Than \$100,000 (cont'd)</p>	<p>COMPLETED <i>(✓/DATE)</i></p>
<ul style="list-style-type: none"> • Corrections for Interdepartmental Transfers (IDT) – contact the charging department. 	
<ul style="list-style-type: none"> • Purchase Order corrections are handled by the Purchasing Department Email: Purchasing@utsa.edu or ext. 4060 	
<ul style="list-style-type: none"> • Corrections for Grant and Contract accounts (26-funds): Email: carol.hollingsworth@utsa.edu or ext. 4229 	
<ul style="list-style-type: none"> • Corrections for all other accounting errors: Email: accounting.ofc@utsa.edu or ext. 4834/4827 	
<p>10. The reconciler should sign and date the first or last page of the SOA for each budget category. Alternatively, the STATEMENT OF ACCOUNT RECONCILIATION & ACKNOWLEDGEMENT FORM can be completed, signed and dated by the reconciler after reviewing the SOA's.</p>	
<p>11. The account administrator should review and approve the SOA by signing and dating the first or last page of the SOA for each budget category or the STATEMENT OF ACCOUNT RECONCILIATION & ACKNOWLEDGEMENT FORM.</p>	
<p>12. File/retain the SOA information and necessary back-up. The SOA should be retained for the current fiscal year plus three additional years.</p>	

SOA – Statement of Account and Account Review / Reconciliation of Budget Groups

<p>UTSA Account Review/ Budget Group Reconciliation Checklist with Total Annual Budget of Greater Than \$100,000</p>	<p>COMPLETED (✓/DATE)</p>
<p>1. Establish a pending file with paper copies of transaction documents for the month (PO's, Petty Cash Receipts, Work Request, Deposit Slips, etc.) If you use Excel, Quicken or QuickBooks, keep track of the paper documents that have been entered into your system.</p>	
<p>2. Statement of Account received after the 15th of each month for any budget group with financial activity. If you did not receive, contact Accounting Services Department at ext. 4212.</p>	
<p>3. Compare the beginning balance of the current month to ensure it matches the Ending balance from the previous month's SOA.</p>	
<p>4. Review and scan SOA for unusual entries.</p>	
<p>5. Ensure that any unreconciled items from the previous month have been corrected. Follow-up as necessary.</p>	
<p>6. Match each transaction listed in the SOA to a document in your pending file / departmental log.</p>	
<p>7. Denote that transactions agree to the supporting documentation by placing a check mark (✓) after each item. Once your paper transaction documents are cleared they can be moved to your "permanent" files.</p> <p>You may not have paper documentation for the following transactions:</p> <ul style="list-style-type: none"> • Mail Services: review charges to determine reasonableness given the volume of mail you may process. • Facilities Services – match your pending workorders • Telephone Services – match to phone bills. <p>If you have an electronic system, you will need to enter these charges into the system (another option would be to enter estimates of the charges into the system at the time you incur the charges-you can amend the entry at a later date once you know the accurate charge) and then reconcile them.</p>	
<p>8. Each employee's name appearing on the SOA for salary budget categories should be verified to ensure the employee listed is employed by the department and that appropriate salary amounts were paid and disencumbered.</p>	

SOA – Statement of Account and Account Review / Reconciliation of Budget Groups

<p>UTSA Account Review/ Budget Group Reconciliation Checklist with Total Annual Budget of Greater Than \$100,000 (cont'd)</p>	<p>COMPLETED (✓/DATE)</p>
<p>9. Make a list of any encumbrance or expenditure that are in your records but not included in this month's SOA.</p>	
<p>10. Make a list of transfers and deposits that are in your records but not included in this month's SOA.</p>	
<p>11. Note and resolve items that do not agree with supporting documentation. Contact one of the following individuals for corrections; retain copies of any email requesting corrections.</p>	
<ul style="list-style-type: none"> • Corrections for Interdepartmental Transfers (IDT) – contact the charging department. 	
<ul style="list-style-type: none"> • Purchase Order corrections are handled by the Purchasing Department Email: Purchasing@utsa.edu or ext. 4060 	
<ul style="list-style-type: none"> • Corrections for Grant and Contract accounts (26-funds): Email: carol.hollingsworth@utsa.edu or ext. 4229 	
<ul style="list-style-type: none"> • Corrections for all other accounting errors: Email: accounting.ofc@utsa.edu or ext. 4834/4827 	
<p>12. The reconciler should sign and date the first or last page of the SOA for each budget category. Alternatively, the STATEMENT OF ACCOUNT RECONCILIATION & ACKNOWLEDGEMENT FORM can be completed, signed and dated by the reconciler after reviewing the SOA's.</p>	
<p>13. The account administrator should review and approve the SOA by signing and dating the first or last page of the SOA for each budget category or the STATEMENT OF ACCOUNT RECONCILIATION & ACKNOWLEDGEMENT FORM.</p>	
<p>14. File/retain the SOA information and necessary back-up. The SOA should be retained for the current fiscal year plus three additional years.</p>	

