Title	Document Code No.
Financial Transaction Control	FIN 15-4 (AEP) RW
Department/Issuing Agency	Date
DES / FBOD / Financial Management	8/1 /2012
Approved	
Dow Constantine	*Dow Constantine*

1.0   SUBJECT TITLE: Financial Transaction Control

    1.1   EFFECTIVE DATE: 10 days after signed by Executive.

    1.2   TYPE OF ACTION: New

    1.3   KEY WORDS: (1) Administrative Policies and Procedures, (2) Internal Control, (3) Expenditures, (4) Usage, (5) Miscellaneous Transaction, (6) Labor Distribution, (7) Reconciliation, (8) Burdening.

2.0   PURPOSE: To establish uniform procedures for the accurate and accountable entry and approval of financial transactions into the County finance system, Oracle EBS.

3.0   ORGANIZATIONS AFFECTED: All King County departments, offices, divisions and agencies using the Oracle EBS Financial System.

4.0   REFERENCES:

    4.1   Revised Code of Washington, Chapter 43.88.160 Fiscal management – Powers and duties of officers and agencies.

    4.2   King County Code, Title 4 – Revenue and Financial Regulation, 4.08.035 – Fund manager duties and responsibilities – Delegation.

    4.3   King County Executive Order FIN 12-2, Capital Asset Accounting and Financial Reporting.

    4.4   King County Executive Order CON 7-5-2, Requisition for Procurement Process.

5.0   DEFINITIONS:

5.1   Burdening Transactions: system generated transactions used to apply indirect costs to projects.

5.2   Business Resource Center (BRC): group within the Department of Executive Services responsible for Oracle system management, documentation and support.

5.3   Cross Validation Rules: system edits established to prevent the use of specified combinations of values in two or more general ledger accounting segments.

5.4   FMS – Accounting: group within the Financial Management Section of Finance Business Operations Division responsible for General Ledger, Projects, Grants and Assets accounting.

5.5   FMS – Accounting Systems: group within the Financial Management Section of Finance and Business Operations Division responsible for Oracle EBS system production management.

5.6   Labor Distribution: Oracle EBS module that transfers payroll, time and labor transactions from People Soft to Projects.

5.7   Journal Entry: balanced General Ledger debit/credit transactions.

5.8   Miscellaneous Transaction: expenditure transfer between tasks within a project or between projects. These must be entered in balanced batches.

5.9   Oracle User Name: Oracle EBS Financial System login to authorized users. Usually, part or all of the employee's last name and first name initial.

5.10   PG Org Acronym – two to four character department/division indicator used as the first characters of the organization's projects and project templates short name (i.e. – TD for Transit Division)

5.11   POETA: Financial transaction coding used for expenditure transactions consisting of Project number, Organization, Expenditure type, Task number and Award number.

5.12   PSB: Office of Performance, Strategy and Budget

5.13   Usage Transaction: direct charge to a project. Usages create expenditure transactions only in the EBS Projects/Grants Module. These debits are posted to the General Ledger along with a balancing credit transaction based on the values and rules established within Oracle EBS.

6.0 <u>POLICIES</u>:

    6.1   Oracle EBS is King County's system of record for all financial transactions and is the official financial accounting record of the County.

    6.2   Agency Department Directors are responsible for establishing appropriate internal controls for expenditures, including an off-line internal approval authorization process. There is no automated approval process for expenditure transactions initiated within the Oracle Projects Module.

        6.2.1   There must be documentation of the supervisory review of all expenditure transactions entered into the Oracle EBS system.

        6.2.2   This documentation needs to be available for review and retained in department records in accordance with a retention schedule approved by the Washington State Local Records Committee and disposed of per King County Executive Policy INF 15-3-2.

        6.2.3   The transaction approver must be someone other than the transaction preparer. The reviewer must be someone other than the transaction preparer or the transaction approver.

Expenditure Processing

    6.3   All expenditures processed through Oracle Purchasing, Payables, and Payroll will post to a designated project.

        6.3.1   Corrections to expenditures will be made in the appropriate module as practical and passed through to projects, with the exception of Labor Distribution Error Corrections. If a correction cannot be made through the appropriate module, a correcting journal entry will be required for error corrections.

        6.3.2   Corrections to expenditures where the new accounting is not to an expenditure account will be processed by FMS – Accounting.

    6.4   Miscellaneous transactions and usages will be entered into Oracle EBS Projects in one of the following ways:

        6.4.1   Automated entry from a side system using PA_INTF_001.

        6.4.2   Manual entry using a Smart Spreadsheet modeled after PA_INTF_001.

        6.4.3   Manual entry directly in Oracle EBS Projects using Pre-approved Batches.

    6.5   All Projects Pre-approved Batch entries will use a standard batch naming convention:

6.5.1   PG Org Acronym, Oracle User Name, Oracle Standard Date (DD-MTH-YYYY)

6.5.2   Transaction descriptions must be clear and concise, and have adequate supporting documentation.

6.5.3   Central Finance – Accounting will monitor and correct entries as needed and will determine the best path for entry correction.

6.6   Agencies will audit their financial transactions periodically (at least quarterly) to review the overall results for accuracy and for what was intended. The person conducting the audit is not the individual who prepared or posted the financial transactions. Documentation of the audit shall be retained by the agency.

Labor Distribution Error Correction

6.7   Prior to upload of time from the time/labor module all corrections to project coding shall be done in the Time/Labor module.

6.8   After time is processed in the Peoplesoft system, all corrections to POETA coding shall be made in Oracle EBS Projects.

6.9   After each payroll run, designated agency personnel will review their projects to   make sure that the hours allocated to each project are correct. The Discoverer Reports PA Summary Labor Report by Project (PA_RPRT_065) and/or PA Detail Labor Report by Employee (PA_RPRT_066) may be used for this purpose.

6.9.1   Errors that occur within the agency should be resolved as subsequently outlined in 6.11.

6.9.2   Errors that occur due to the incorrect selection of another agency's project should be handled between the agencies involved. The agency with the employee who made the error will process the correcting entries.

6.10   Correction of payroll errors other than Project/Task/Award allocations must take place in the payroll system.

6.11   Corrections not made in the Payroll, Time and Labor system to an employee's time that have not been allocated to the correct project, task and/or award, will be made by agency personnel through Miscellaneous Transactions in the Oracle EBS Projects Module.

6.12   Agencies will follow their internal control and approval procedures as established under 6.2 above.

6.12.1 Miscellaneous transactions can be entered via PA_INTF_001 or Projects Pre-Approved Batches.

    6.12.2   A detailed reason for the correction must be entered in the description field.

    6.12.3   A hard copy of the interface or pre-approved batch must be kept with the payroll documentation in accordance with King County Records Retention and Public Disclosure Manual.

Interfund Charges/Internal Billing

6.13   All Interfund charges will be processed through Projects as usage or miscellaneous transactions unless directly charged through Labor Distribution.

6.14   The agency initiating the charge must have documented approval from the agency receiving the charge.

    6.14.1   The agency receiving the charge must provide the POETA code for the transaction to the agency initiating the charge.

    6.14.2   Approval documentation must be kept on file by the agency initiating the charge in accordance with King County Records Retention and Public Disclosure Manual. For recurring charges, one approval is sufficient.

6.15   FMS – Accounting will monitor all expenditures between funds, and periodically test supporting documentation for Interfund charges.

6.16   Disputes regarding internal billing will be resolved between the agencies involved.

Burden Transactions

6.17   FMS Accounting and PSB will provide guidelines for establishing burden rates.

    6.17.1   Agencies will be responsible for calculating their burden rates and forwarding them to FMS Accounting Systems for input into the Oracle EBS Projects system.

    6.17.2   FMS Accounting will review and approve all burden rates before they are entered in Oracle EBS.

    6.17.3   FMS Accounting Systems will update all burden cost codes, bases and schedules.

6.18   Agencies will monitor burden rates for agreement with actual expenditures.

Accounting for Grants

6.19   All external funding sources, including grants, will be set up as Awards in the Oracle EBS Grants Accounting Module.

6.20   All grants payments will be recorded in EBS with a standard receipt in the Oracle EBS Accounts Receivable Module applied to the related invoices created through Grants Accounting.

General Ledger Journal Entries

6.21   Transactions may only be posted directly to the General Ledger through preapproved and tested side systems or by Central Finance – Accounting.
   6.21.1 All side systems that interface to GL must be able to match debits/credits to transaction amounts on a line-by-line basis.
   6.21.2 All manual transactions into GL and all side systems using GL INTF 002 must be able to enter a combo code in the description field.

6.22   General Ledger Journal entries will be input to Oracle EBS by agency personnel in one of two ways: by using a Web ADI spreadsheet or creating a journal entry batch directly in Oracle EBS General Ledger.

6.23   GL Journal Entries will be approved and posted by FMS Accounting.

6.24   GL Journal Entries will use a standard batch naming convention:

   6.24.1 PG Org Acronym, Oracle User Name; Batch Date (YYMMDD)
   6.24.2 Transaction descriptions must be clear and concise.
   6.24.3 Authorization and justification for journal entries must be submitted to FMS Accounting Systems.
   6.24.4 Batches that contain errors will be rejected by FMS Accounting. Agencies will be notified of the rejection.

6.25   FMS Accounting Systems will establish compensating controls, including Cross Validation Rules, as needed to assure the integrity of the County's financial data.

Asset Accounting

6.26   Capitalization of constructed assets must be approved by FMS – Asset Accounting.

6.27 All agencies are responsible for reviewing constructed asset detail before sending project information to the asset workbench for capitalization.

6.28 Asset Accountants in FMS Accounting will review Oracle EBS Capital Projects to determine the reasonableness of lines to be capitalized.

6.28.1 For large constructed projects, the agency's finance department will notify the FMS Asset Accountant when the projects are ready for capitalization along with an allocation worksheet which identifies the individual assets and components to be capitalized.

6.28.2 The FMS Asset Accountant will work with the agency to capitalize the project in Oracle EBS system in accordance with the reviewed allocation provided by the agency and appropriate accounting classification criteria.

Accruals and Encumbrance

6.29 The only encumbrance transactions in Oracle EBS are generated by approved purchase orders.

6.30 Agency personnel will enter all receipts in a timely manner and monitor open purchase orders monthly to assure that purchase orders are closed after goods or services are received and the supplier payment has been made.

7.0   PROCEDURES:

Procedures for this policy will initially be deferred to the ABT Oracle EBS Projects, Grants and General Ledger Training documentation. See section 9.0 (Appendices.)

8.0   RESPONSIBILITIES:

8.1   FMS personnel are responsible for

8.1.1   Approving and posting General Ledger Journal Entries.

8.1.2   Reconciling all financial transaction entries posted into the financial transaction system of record.

8.1.3   Approving, opening, closing and maintaining General Ledger accounts and other GL segment entries.

8.1.4   Setting up and maintaining Project templates, lists of values, non-labor resources and burden schedules, structures, codes and rates.

8.1.5   Setting up and maintaining Award templates, lists of values, and Receivables customers.

8.1.6   Establishing and maintaining financial policies and procedures.

8.1.7   Defining business processes regarding financial management.

8.1.8   Responding to agency inquiries regarding financial transactions.

8.2   Agency personnel are responsible for

8.2.1   Establishing and monitoring internal controls for expenditure transactions.

8.2.2   Creating and submitting General Ledger Journal Entries.

8.2.3   Setting up, maintaining and closing projects and awards.

8.2.4   Submitting information to Central Finance for the establishment of non-labor resources, expenditure-types, classification categories and codes, and burden rates.

8.2.5   Processing miscellaneous transactions and usages.

8.2.6   Reviewing Labor Distribution transactions and making corrections as needed.

8.2.7   Reviewing purchase orders, receipts and payments and making any necessary adjustments to assure purchase orders close in a timely manner.

8.2.8   Processing grant billings through the Oracle EBS Grants Accounting module.

8.2.9   Calculation, review and management approval of agency burden rates.

8.2.10   Analyzing constructed assets to assist FMS Accounting with the capitalization of assets.

8.3   Business Resource Center personnel are responsible for

8.3.1   Establishing and maintaining Oracle EBS system configuration.

8.3.2   Testing and installing system updates.

8.3.3   Researching and resolving system problems.

8.3.4   Responding to agency inquiries regarding system functionality.

8.4   Performance, Strategy and Budget Office personnel are responsible for

      8.4.1   Loading budget information into Oracle EBS and approving capital project budgets.

      8.4.2   Working with the Chief Accountant to provide guidance on the calculation of burden rates.

9.0   <u>APPENDICES</u>:

9.1   Oracle EBS General Ledger Basics (UPK):
http://tanoak/ODSTrack/VODSTrack/ABT%20EBS%20Training/toc0.html

9.2   Oracle EBS Projects (UPK):
http://tanoak/ODSTrack/VODSTrack/ABT%20EBS%20Training/toc0.html

      9.2.1   Projects
           9.2.1.1

- Expenditure Transactions
- Usage Transactions
- Miscellaneous Transaction

9.3   Oracle EBS Grants (UPK):
http://tanoak/ODSTrack/VODSTrack/ABT%20EBS%20Training/toc0.html

      9.3.1   Grants