

<b>OREGON ACCOUNTING MANUAL</b>		Number 10.15.00.PO
Oregon Department of Administrative Services State Controller's Division	<b>Policy</b>	Effective Date December 1, 2004
Chapter	<b>Internal Control</b>	.1 OF .5
Part	<b>Transaction Documentation Requirements</b>	
Section		Approval <b>(Signature on File at SCD)</b>

Authority      [OAR Chapter 166](#)  
                    [ORS Chapter 192](#)  
                    [ORS 291.015](#)  
                    [ORS 293.590](#)

### **Purpose and Scope**

- .101 This policy emphasizes the importance of internal controls related to accounting transaction documentation and how these controls help achieve reliability in financial reporting. It applies to all state agencies that record transactions in the Statewide Financial Management Application (SFMA), whether the transactions are entered directly or through an interface.
- .102 This policy is intended to emphasize and strengthen those aspects of transaction documentation that generally apply to most transaction types. It is not intended to replace any of the specific documentation requirements contained in other OAM policies and procedures.

### **Overview**

- .103 The primary focus of control policies and procedures is to process transactions correctly. Transaction processing controls, including documentation requirements, should be designed with these objectives in mind:
  - a. Recorded transactions are valid and supported by appropriate documentation; none are fictitious.
  - b. All valid transactions are recorded; none are omitted.
  - c. Transactions are properly authorized.
  - d. Transaction dollar amounts are properly calculated and accurately recorded.
  - e. Transactions are properly classified in the accounts.
  - f. Transaction accounting/posting is complete; no required fields or sub-ledger entries are omitted.
  - g. Transactions are recorded in the proper accounting period (fiscal year).

## Policy Standards

- .104 All transactions must be supported by appropriate documentation. The same documentation requirements apply to transactions entered directly into SFMA, as well as those initially entered and processed in an agency subsystem that are transmitted to SFMA through an automated interface. In all cases, the documentation must be complete and accurate and must allow a transaction to be traced from the source documentation, through its processing, to the financial reports. All documentation should be readily available for examination.
- .105 Records of transactions and significant accounting events may be initiated and stored in a variety of media and physical formats, including paper documents, microfilm, microfiche, magnetic tape, digital images, and other electronic and recording media. These records should be retained the minimum length of time and authorized for disposition in accordance with the requirements described in Oregon Administrative Rules, Chapter 166.
- .106 Documentation requirements for accounting transactions (including records retention guidelines) should be incorporated into agency specific policies and procedures, with relevant training provided to agency personnel.

## Documentary Evidence

- .107 Regardless of the format used for storage purposes, all recorded transactions (including adjusting entries and transfers) should be supported by copies of source documents (such as vendor invoices, receiving records, cash receipts, timesheets, loan documents, or bank statements) and other supporting information sufficient to provide clear evidence of the following:
  - a. The authenticity of the transaction.
  - b. The purpose or reason for the transaction.
  - c. The vendor/customer involved in the transaction, when applicable.
  - d. That the transaction was properly authorized.
- .108 Valid documentary evidence supports the financial statement assertions of existence or occurrence -- that assets, liabilities and equities actually exist and that revenue and expense transactions actually occurred.

## Standardized Coding Information

- .109 The documentary evidence must also support the information recorded in SFMA for the key data fields listed below. These fields are closely connected to the financial statement assertions of valuation (accurate transaction amounts); presentation and disclosure (proper fund, general ledger account and/or expenditure/revenue classification); existence and completeness (recorded in the proper accounting period); and rights and obligations (vendors and customers correctly identified).
  - a. D23 Fund and/or PCA/Index
  - b. General Ledger Account
  - c. Comptroller Object (or Agency Comptroller Object)
  - d. Transaction Dollar Amount
  - e. Vendor Name/Number, if applicable

- .110 The information entered into the key data fields may be documented through the use of coding block stamps and pre-formatted input forms, or it may be hand-written directly on the source documents.
- .111 For some transaction types, SFMA and agency system interfaces may be programmed to automatically “fill” one or more of the key data fields. In these situations, agencies are not required to note this information on the supporting documents, *if* it can be verified for audit purposes by reference to look-up tables, crosswalks, charts, reports, or other reference tools, such as accounting policy and procedure manuals. If the key data field information cannot be easily verified using one of these alternative methods, the information should be noted directly on the transaction documentation.
- .112 Although this policy establishes the minimum documentation standards, each agency should determine what additional information needs to be documented to meet its unique business requirements and identify this additional information in its policies or procedures (referred to in paragraph .106).

### **System-Generated Transactions**

- .113 Certain transactions recorded in SFMA are automatically generated using predetermined system parameters that do not require manual data entry or manual approvals. For audit purposes, agencies should be prepared to explain the underlying logic of these transactions and to demonstrate their validity. Recurring cost allocation entries are a typical example. Documentation (which may include electronic spreadsheets) that clearly describes the methodology, the cost drivers, the formulas and calculations, and the applicable system links and processes should be maintained. In addition, copies of the initial approval documentation for these automatically generated transactions should be available for review.

### **Correction of Errors**

- .114 When a coding error in a key data field is discovered by the processing unit (e.g., the business unit entered the wrong comptroller object in the coding block), the correct information should be indicated on the document and initialed. It is not appropriate to simply enter the correct data into SFMA or an agency subsystem without making a notation of the correction on the supporting documentation.
- .115 For journal entries that are specifically prepared to correct transactions that have already been processed, the supporting documentation should include a copy of the original erroneous entry (R\*STARS screen print, hard-copy report, query results) or other documentation/reference that clearly indicates the origin of the error being corrected. When a copy of the original erroneous entry is included, it is not necessary to also include a copy of the supporting documentation from the original entry.

### **Authorization**

- .116 Agency heads are authorized to make expenditure decisions by statute and legislative appropriation. In addition, they may delegate expenditure decision authority to subordinates. These delegations should be evidenced by written documentation and kept current. The signed documents may be kept on file centrally in the agency Controller's Office or Business Office, or they may be filed in branch or field offices. See [OAM 10.40.00](#) for more details concerning delegation of expenditure authority.

## Adjusting Entries and Transfer Transactions

- .117 In addition to operational types of transactions (cash receipts and cash disbursements), agencies also process various kinds of transactions that are collectively referred to as adjusting entries. Adjusting entries may be recurring or non-recurring and include, for example, entries to correct errors, reclassification entries, year end accruals, and other adjustments required for financial statement purposes.
- .118 All adjusting entries should be fully documented and properly authorized. In addition to source documents (see paragraph .107), the supporting records may include electronic spreadsheets, SFMA reports/screen prints, BRIO or other database queries, and agency subsystem reports/screen prints. If a database query or ad hoc report is involved, the agency should document the query/report parameters, including limits, and be prepared to explain the logic. In the case of Brio queries, for example, agencies may use the "File > Export > SQL" command which allows users to save the Structured Query Language (SQL) as a text file.
- .119 When accounting estimates are used, as in the case of year end accrual entries, the rationale and underlying methodology (trend analyses, ratios, assumptions, etc.) should be documented and readily available for audit. The estimates should be reasonable and based on relevant information. The supporting records for estimates are generally not source documents (as described in paragraph .107), but rather documentation of how the estimated amount was determined.
- .120 Interfund and interagency transfer transactions, including year end transfer accruals (due to/due from other funds/agencies) are subject to the same documentation requirements discussed in paragraph .118 and .119. All transfer transactions should be properly authorized and the purpose or reason for each individual transfer clearly explained in the supporting documentation.
- .121 Individuals who are familiar with the related processes and have appropriate experience and background should be assigned responsibility for reviewing and approving adjusting entries and transfer transactions. For adjustments and transfers involving highly sensitive or subjective matters, such as accruals of claims and judgments, significant year end revenue and expenditure accruals, adjustments to recognize asset impairments, or other unusual items, the documentation should indicate these types of adjustments were properly reviewed and authorized.

## Effective Dates and Year End Processing

- .122 The supporting documentation should also provide evidence that the related transactions were recorded in the proper accounting period (fiscal year). The effective date of a transaction determines the *fiscal year* in which the transaction is recorded. Normally, cash transactions that occur during the fiscal year do not present a problem because they are recorded with effective dates prior to the close of month 12 (June). At year end, recording transactions in the proper accounting period is more complicated. Many of the non-cash adjustments required for reporting in accordance with generally accepted accounting principles should be recorded after June close. To ensure these adjustments are posted to the current fiscal year, they should be entered into SFMA as month 13 financial statement transactions, using an effective date of 06/31/YY. The supporting documentation should include sufficient information or explanation to indicate these adjustments are fiscal year end entries and that an effective date of 6/31/YY is appropriate.
- .123 Many of the month 13 transactions involve expenditure and revenue accruals. The accrual entries are processed using transaction codes that automatically generate reversing entries in July of the new fiscal year. When the actual disbursements or receipts are processed in the new fiscal year, the cash transactions will be offset by the reversing entries.

## Records Retention

- .124 ORS 192.105(2)(a) requires each agency to designate an agency records officer who will coordinate the agency's records management and serve as a liaison with the State Archivist. The records officer should organize and coordinate records scheduling, retirement, storage and destruction. The State Archivist will provide records officers with training and assistance.
- .125 Each agency is required to develop a formal records retention program in accordance with Chapter 166, Division 30 of the Oregon Administrative Rules (OAR). OAR Chapter 166 also provides technical specifications, quality control guidelines and security measures for appropriate use of microfilm, digital imaging systems, electronic records and other media.
- .126 It is each agency's responsibility to review its programs and functions to ensure archive requirements are followed. This process includes identifying the specific records that should be retained and assigning ownership and custodial responsibilities for the official "record copy." Transaction documentation files should be centralized to the extent possible and readily accessible to authorized agency staff and auditors.
- .127 State agencies should destroy financial records which have met the terms and conditions of their scheduled retention period, subject to the prior audit requirements of OAR 166-030-0045: "Public records of fiscal transactions, regardless of medium or physical format, may not be destroyed until the minimum retention period has passed and the person charged with their audit has released them for destruction. If federal funds are involved, requirements of the United States government shall be observed."