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Why do my unposted vouchers seem to disappear at the end of the month?

ConnectCarolina Financial Concepts

A series of documents to help you understand the financial information in ConnectCarolina and InfoPorte

March 2018

Have you noticed that unposted vouchers seem to disappear at the end of the month? They don't really disappear—any vouchers that haven't been posted get moved to the next month (which is called “voucher roll forward”). Read on to learn why this happens and about some key related concepts.

Note: If you see a word in italics, it means the word is defined on the last page.

Key Concept

1 Our New Accounting Method

Before we switched to ConnectCarolina, the University used *cash basis accounting*, but now we use *accrual accounting*. The main difference between the two is the timing of when we account for *revenue* and *expenses*. With the cash method, we record revenue when the money is received and we record expenses when money is paid out.

On the other hand, with the accrual method we record revenue when we earn it, and we record an expense for goods and services when we make the purchase. We record the revenue even if we haven't received the cash.

Example One: Let's say you sell a \$1,000 conference registration. With the cash method, you record \$1,000 in the books when you receive the check. With the accrual method, you record the \$1,000 as revenue immediately when you sell the registration, even if you receive the money a few weeks later.

Example Two: The same thing is true for expenses. Let's say you receive an electric bill for \$1,200. Under the cash method, you add \$1,200 to the books when you actually pay the bill. Under the accrual method, though, you record the \$1,200 as an expense the day you receive the bill.

Using the accrual method gives the University a more accurate picture of where our money is from month to month. But a challenge is that we still have to report to the State of North Carolina using the cash method.

Key Concept

2 The Actuals Ledger vs. the Commitment Control Ledgers

Another useful concept to understand is that the University tracks transactions related to budgets (how we plan to use our funds) in different ledgers from where we track transactions that count in the official financial record for the month (or “actuals”). A ledger is somewhat similar to a checkbook, where you record transactions and keep track of your balance.

We track budget balances in a set of seven ledgers called the *Commitment Control ledgers* (sometimes called the “KK ledgers” for short). We track actual transactions in the *Actuals Ledger*.

Another useful concept to understand is that the University tracks transactions related to budgets (how we plan to use our funds) in different ledgers from where we track transactions.

In ConnectCarolina, a transaction is recorded in the Commitment Control ledgers when the transaction is **budget checked** (which reduces the budget available). They become part of actuals at the point they are **posted** in the General Ledger. Note that some transactions are budget checked before approvals and some are checked after approvals.

Remember the steps that vouchers go through?

1. Create the voucher.
2. Check for chartfield errors (also called “combo edit errors”).
3. Pre-check the budget. This only checks budget availability and this is *not* recorded in the commitment control ledgers.
4. Approve the voucher.
5. Budget check the voucher.
6. Post the voucher.

Recorded in the KK ledgers

Recorded in Actuals ledgers

Depending on how long it takes to get a voucher approved, it could be weeks between the time that the voucher is submitted and when the voucher is budget checked and then posted.

Key Concept

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When Information Makes Its Way to InfoPorte

Understanding the role of the Actuals and Commitment Control ledgers is important for two reasons. The first is that once a transaction has been budget-checked, you will see it in InfoPorte. (Or actually, you see it the next day, since information is copied from ConnectCarolina into InfoPorte overnight.) That’s because much of the information in InfoPorte is pulled from the Commitment Control ledgers.

But just because you can see a transaction in InfoPorte doesn’t mean it has been approved or posted, so it isn’t necessarily ready to reconcile. For example, after a campus journal is budget-checked (which means it is recorded and the available budget is reduced), it could take days for it to be approved and then posted. Campus vouchers aren’t budget checked until *after* they’re approved. So, you might create a campus voucher that doesn’t even show up in InfoPorte for weeks because it’s still in the approval process. Also the voucher may not be paid for several weeks after it posts depending on the payment terms for the vendor.

Why do my unapproved vouchers seem to disappear at the end of the month?

The second reason it's important to understand the role of the Commitment Control and Actuals ledgers is to answer the question we started with: why do my unapproved vouchers disappear at the end of the month?

The answer is that for our reports to the State to be accurate, the Commitment Control ledgers and the Actuals ledger need to match at the end of the month. So the expense entry in the Commitment Control Ledgers and the expense entry in the Actuals Ledger need to be in the same month.

What this means is, if a voucher hasn't been budget checked before month end, the voucher is moved to the next month (that is, the accounting date is changed so that the voucher is recorded in the following month).

This can be confusing if you're not familiar with this concept. For example, you might create a campus voucher in March, but it doesn't get approved and budget checked until April. When the voucher rolls from March to April, the system changes the accounting date to April. You can find the voucher in ConnectCarolina anytime regardless of the accounting date, but you won't see it in InfoPorte until the day after it's budget checked.

Vouchers are the only type of transaction that is rolled forward at month end, and only vouchers that haven't been approved by month end are rolled forward.

If there's a Y in the Recon Ready column on the Transactions tab of InfoPorte, the transaction won't roll over. In the case of vouchers, the Y means the voucher has been posted, although remember that doesn't mean the voucher has been paid. The voucher will be paid when the payment terms with the vendor specify it should be paid, which is often 30 days after the invoice date.

The Lifecycle for Vouchers Revisited

Remember the voucher lifecycle? Let's take another look, from the perspective of when InfoPorte and the Actuals and Commitment Control ledgers are updated:

Create the voucher

The newly created voucher doesn't show up in InfoPorte or any of the ledgers.

Budget pre-check the voucher

This step ensures there is money in your budget, but there are no entries in the **Commitment Control** or **Actuals** ledgers yet. You won't see the voucher in InfoPorte either, because what's on the InfoPorte transactions tab is based off the **Commitment Control** ledgers.

Approve and budget check the voucher

After all approvals, budget checking reduces the available budget in the **Commitment Control** ledgers by the amount of the voucher. There's no entry in the **Actuals** ledger yet. The next day, the voucher shows up on the Transactions tab in **InfoPorte**, but you won't see a check number since the voucher hasn't been paid yet.

Post the voucher

There's no change in the Commitment Control ledgers, but the **Actuals** ledger records the expense. *Note for accountants: This is the point where the accrual is recorded.*

The Transactions tab in **InfoPorte** shows a Y in the Recon Ready column to say the voucher is ready to reconcile. And now that the voucher is posted, it won't be rolled forward at month end. There's no check number yet, though, because the voucher still hasn't been paid.

Pay the voucher when payment terms are met

When the payment terms are met, the voucher is paid. A day later, you see the check number on the Transactions tab in **InfoPorte**.

The voucher payment posts

The GL Transactions tab in **InfoPorte** shows that the payment has posted.

Note for accountants: This is the point where the accrual is relieved and the cash balance is reduced.

The Lifecycle for Purchase Requisitions Revisited

Let's do the same for the lifecycle of a purchase requisition. This lifecycle focuses on purchases outside the vendor catalogs, but the lifecycle for vendor catalog purchases is similar.

Create the purchase req

The newly created purchase req doesn't show up in InfoPorte or any of the ledgers.

Budget pre-check the purchase req

This step ensures there is money in your budget, but there are no entries in the **Commitment Control** or **Actuals** ledgers yet. You won't see the purchase req in InfoPorte either, because what's on the InfoPorte transactions tab is based off the **Commitment Control** ledgers.

Approve and budget check the purchase req

Budget checking records a *pre-encumbrance* in the **Commitment Control** ledgers, which reduces the available budget by the amount of the purchase. There's no entry in the **Actuals** ledger yet. The next day, the purchase req shows up on the Transactions tab in **InfoPorte**.

The Purchase req becomes a purchase order (PO)

There's no change in any of the ledgers or in InfoPorte.

The PO gets budget checked


In the **Commitment Control** ledgers, the pre-encumbrance is removed and an *encumbrance* is created (the available balance doesn't change). The Transactions tab in **InfoPorte** shows the PO.

The PO gets dispatched to the vendor

There's no change in any of the ledgers or in InfoPorte.

You enter a receipt for items or services

There's no change in any of the ledgers or in InfoPorte.

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Continued: The Lifecycle for Purchase Requisitions Revisited

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The vendor sends an invoice, which Disbursement Services enters as a voucher

There's no change in any of the ledgers or in InfoPorte.

The voucher is budget-checked

The encumbrance is cleared from the **Commitment Control** ledgers and an expense is recorded. The Transactions tab in **InfoPorte** shows the voucher but with no check number, since it hasn't been paid yet.

The voucher, PO, and receipt are matched up

There's no change in any of the ledgers or in InfoPorte.

The voucher is posted

An expense is recorded in the **Actuals Ledger** and there's no change in the Commitment Control ledger.

Note for accountants: This is the point where the accrual is recorded.

The Transactions tab in **InfoPorte** shows a Y in the Recon Ready column to say the voucher is ready to reconcile (but still doesn't show a check number).

Pay the voucher

When the payment terms are met, the voucher is paid. The next day, you can see the check number in **InfoPorte**.

The voucher payment posts, and if everything has been received on the PO, the PO is closed.

The GL Transactions tab in **InfoPorte** shows that the payment has posted.

Note for accountants: This is the point where the accrual is relieved in the Actuals ledger and cash balance is reduced.

Commitment Control (“KK”)	<i>Commitment Control</i> , or “KK” for short, is the part of ConnectCarolina that lets the University control what we spend against predefined budgets. Commitment Control lets us set budgets, define rules for how we want those budgets to behave, and then check transactions (such as purchases) against those budgets. We can also budget for the revenue we expect to receive.
Actuals Ledger	The <i>Actuals Ledger</i> tracks balances related to the University’s actual expenditures and revenues, as opposed to planned expenditures. For example, the Actuals ledger would track that a payment was posted, but not that a purchase req was posted (you can think of a purchase req as a plan to buy items, rather than a purchase for which the goods have been received and therefore need to be paid for).
Commitment Control Ledgers	The <i>Commitment Control Ledgers</i> (sometimes called the “KK Ledgers”) are a set of seven ledgers that track budget-related balances. Four Commitment Control ledgers track budget balances related to expenses (money going out), and three track budget balances related to revenue (money coming in). You can think of the Commitment Control Ledgers as tracking how we plan to use our funds, as opposed to the Actuals Ledger, which tracks how we actually use them.
Expense	Money spent or costs incurred.
Revenue	Money received or earned.
Pre-encumbrance	An amount you expect to spend but do not have a legal obligation to spend.
Encumbrance	An amount you have a legal obligation to spend in the future.
Budget Pre-check	This process checks your budget to make sure you have enough money in your budget for the transaction. However, this step does not reserve money for the transaction.
Budget Check	Like the budget pre-check, this process checks your budget to make sure you have enough money in your budget for the transaction. The difference is that the budget check also reserves the money for the transaction if there is sufficient budget available.