



Financial Management Preparing for Year End 2018

Best Practices & Checklists

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Financial Management Year End Best Practices

This document is a compilation of best practices to serve as a reference through all phases of the year end process. There are accompanying checklists for each of the following areas:

- Soft Close Purchase Orders
- Soft Close Funds
- 1099 Processing

Soft Close Purchase Orders

The purpose of the Soft Close Purchase Order process is to complete or carry forward current year Purchase Orders into the new fiscal year, according to the selected soft close method as well as create corresponding encumbrance, budget adjustment and/or expense entries in the General Ledger.

When should Purchase Orders be soft closed?

- In general, Purchase Orders should not be soft closed until after all invoices associated with prior year expenses against those Purchase Orders have been received and posted through Accounts Payable.
- Most organizations set a policy of closing their Purchase Orders between 30 - 60 days after the end of the fiscal year.

Paying Accounts Payable Invoices Against Prior Year Purchase Orders

- Prior to Soft Close, only invoices expensed against the prior year (i.e., AP Invoice G/L date $\leq$ 12/31/2018) should be processed.
 - Prior Year Accounts Payable Invoice & Prior Year Purchase Order = OK to Process.
 - New Year Invoice & Prior Year Purchase Order = Not OK to Process.
- After the Soft Close, only invoices expensed against the new year (i.e., Accounts Payable Invoice G/L date $\geq$ 1/1/19) should be processed.
 - Prior Year Accounts Payable invoice & (soft closed) Prior Year Purchase Order = Not OK to process
 - New Year invoice & (soft closed) Prior Year Purchase Order = OK to process.

Soft Close Purchase Orders Checklists

What To Do Prior To Soft Close

- ☐ Attend a New World ERP webinar on the purchase order soft close process.
- ☐ Soft close funds from the previous year.
- ☐ Complete all non-carried forward purchase orders.
- ☐ Verify that the purchase order encumbrance amount balances to the General Ledger
 - ☐ Run the Purchase Order Encumbrance Reconciliation Report.
 - ☐ Verify that no differences exist.
 - ☐ Correct any differences prior to soft closing purchase orders.

What To Do During Soft Close

- ☐ Verify that the soft close batch date is set to the last day of your fiscal year (i.e., 12/31/2018).
- ☐ Compare the soft close purchase order batch encumbered amount and Purchase Order count to the Purchase Order Report. Set the "From Date" as the date of the earliest PO G/L date. Set the "To Date" to the last day of the fiscal year (i.e., 12/31/2018). Under the Status section, only check the "Open" status. If there are differences with either counts or amounts, remediate prior to continuing with soft close purchase order process.
- ☐ Generate and review the "Print Soft Close PO G/L Entries Edit Listing" during the edit listing workflow process.
 - ☐ Verify the G/L dates correspond to the correct fiscal years.
- ☐ Create PDFs of all post listings and retain until the next soft close purchase order.

What To Do After Soft Close

- ☐ Review the General Ledger and verify that the encumbrance, budget and/or expense amounts posted for the correct amount to the correct date.

Monthly and Periodic Processes

- ☐ Verify that the purchase order encumbrance amount balances to the General Ledger.
 - ☐ Run the Purchase Order Encumbrance Reconciliation Report.
 - ☐ Verify that no differences exist.

- ☐ Verify that the purchase order encumbrance amount balances to the General Ledger.
 - ☐ Correct any differences.
- ☐ Complete purchase orders as needed throughout the year.

Soft Close Funds

Soft Closing Funds is the process of closing out Revenues and Expenses to Fund Balance (Equity) for a fiscal year.

How to Determine when to Soft Close Funds

- Purchase Orders from the corresponding fiscal year have been soft closed.
- All or most journal entries associated with the fiscal year to close have been posted to the General Ledger.
- The Governmental Reporting module needs updated Fund Balances.

Soft Close Funds Checklists

What To Do Prior To Soft Close

- ☐ Attend a New World ERP webinar on the funds soft close process.
- ☐ Verify that all purchase orders associated with the fiscal year have been closed.
- ☐ Run the Trial Balance Listing to verify that Funds are balanced:
 - ☐ Run in summary.
 - ☐ Verify that total beginning and ending balances by fund are equal to zero.

What To Do During Soft Close

- ☐ Run and review all available edit listings.
- ☐ Verify YTD revenue and expense amounts by fund to the trial balance.
- ☐ Verify the reasonableness of the fund equity account numbers.
- ☐ Create PDFs of all post listings and retain until the following year's soft close funds.

What To Do After the Soft Close

- ☐ Run the Trial Balance Listing for both fiscal years to verify that funds are balanced.
 - ☐ Run in summary.
 - ☐ Verify that total beginning and ending balances by fund are equal to zero.

1099 Processing Checklists

What To Do Prior To 1099 Processing

- ☐ Order forms and envelopes.
- ☐ Sign up with the IRS for electronic submission.
- ☐ Attend the New World ERP 1099 Processing webinar.
- ☐ Review the New World ERP 1099 Processing User Guide.
- ☐ Run the 1099 audit reports and correct any issues.
- ☐ When the Year End update has been applied, run a quick test through the 1099 processing menu to verify you are able to:
 - ☐ Create 1099 data.
 - ☐ Print 1099 Forms.
 - ☐ Verify alignment on forms and envelopes.
 - ☐ Create a 1099 transmittal file.
 - ☐ Process the 1099 Transmittal file on an IRS and/or state test site. Verify no errors exist

What To Do During 1099 Processing

- ☐ Run and review 1099 Audit reports after making any corrections or modifications.
- ☐ Create a 1099 transmittal file and upload to the IRS and/or state test site. Verify no errors exist.

What To Do After 1099 Processing

- ☐ Hold off from submitting your final 1099 transmittal file until after a grace period to allow for 1099 corrections.

Monthly and Periodic Processes

- ☐ Verify 1099 information on all new vendors.
- ☐ Run and review the accounts payable 1099 activity report.
- ☐ Run and review 1099 audit reports after making any corrections and modifications.