

**Document Code No.:** FIN 15-4-2-EP

**Title:** Financial Transaction Control

**Affected Agencies:** All departments, offices and agencies of King County government creating and/or approving financial transactions entered into King County's Financial System.

**Authorities:** Revised Code of Washington, Chapter 43.88.160 Fiscal management – Powers and duties of officers and agencies; King County Code, Title 4 – Revenue and Financial Regulation, 4.08.035 – Fund manager duties and responsibilities – Delegation; Generally Accepted Accounting Principles (GAAP)

**Keywords:** Administrative Policies and Procedures, Finance, Internal Control, Financial Transactions,

**Sponsoring Agency:** Department of Executive Services, Finance and Business Operations Division



**King County**

**Executive signature:** \_\_\_\_\_

*Dow Constantine*

**Date signed and effective:** February 7, 2025

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## **I. Purpose**

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

## **II. Applicability and Audience**

This policy applies to all King County departments, offices, divisions and agencies using the Oracle EBS Financial System.

## **III. Definitions**

“Agency Identifier” means a two-to-four-character department/division indicator used as the first characters of the organization’s awards, projects, project templates, short name, et al. For example, FBOD is the agency identifier for the Finance and Business Operations Division of the Department of Executive Services.

“AME” means the Approval Management Engine in Oracle EBS that manages an automated approval process within certain Oracle EBS modules.

“Burden Transactions” means system generated transactions used to apply employee benefit, paid time off, and indirect costs by expenditure org for the employee to projects in the Project Accounting module that accept burdening.

“Capital Asset” is a tangible or intangible asset that meet all three of the following: a) it must have an initial useful life that extends beyond a single reporting period, i.e., one year; b) it must be used in operations of the entity; and c) it must not be specifically excluded by policy, e.g., capitalization threshold. The lowest threshold is for Equipment and Machinery at \$5,000.

“Concur Travel” means King County’s Travel and Travel Expense Reimbursement system”.

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

“Expenditure Organization” means the organization of the work group entering the charge. For payroll, this represents the employee’s home organization at the time of the transaction.”

“FMS Financial Accounting” means the group within the Financial Management Section of Finance Business Operations Division responsible for General Ledger and Assets accounting.

“FMS Financial Systems and Services” means the group within the Financial Management Section of Finance and Business Operations Division responsible for Oracle EBS system production management and Project accounting.

“Labor Distribution” means the Oracle EBS module that transfers payroll, time and labor transactions from People Soft to the Project Accounting module.

“Journal Entry” means a balanced General Ledger system entry consisting of debit/credit transactions.

“Miscellaneous Transactions” means an expenditure transfer between one POETA and another. These must be entered in balanced batches.

“Oracle User Name” means the Oracle EBS Financial System login issued to authorized users. Usually, part or all of the employee’s last name and first name initial.

“POETA” means the financial transaction coding used for expenditure transactions in the Project accounting module consisting of Project number, Expenditure Organization, Expenditure type, Task number and Award number.

“PSB” means the Office of Performance, Strategy and Budget

“Usage Transaction” means a direct charge to a project offset by a predefined credit to a General Ledger account, generally a revenue. Usages create expenditure transactions only in the EBS Project Accounting Module. These debits are posted to the General Ledger along with balancing credit transactions based on the values and rules established within Oracle EBS by Finance and Business Operations.

#### **IV. Background**

King County has used the Oracle Enterprise Business Suite (EBS) financial system since 2012. This integrated system consists of multiple modules or subledgers that create various transactions that are posted to the General Ledger. The Financial Transaction Control Policy provides guidance, in the form of business rules, that govern transactional entry into Oracle EBS. This policy has been revised in 2024 to reflect changes in both the system and updated fiduciary guidance.

#### **V. Policy**

##### **A. Internal Control over Financial Transactions**

1. Oracle EBS is King County’s system of record for all financial transactions and is the official financial accounting record of the County.
2. All King County Employees entering transactions and/or approvals into the Oracle EBS Financial System must complete the required training/educational requirements before access will be granted to Oracle EBS transactional responsibilities.
3. For all manual transactions originating in iProcurement, iExpense, iAssets and General Ledger, the Oracle EBS Approval Management Engine (AME) will be used for this review and approval.

- a. All approvals must be made inside Oracle EBS after a comprehensive review of the requisition, expense report, asset transfer or journal entry and its associated backup documentation. No approvals from email notices are allowed for journal entries.
  4. For all General Ledger transactions originating inside systems and bypassing Oracle routing and approvals, there must be a documented agency approval process that has been approved by the Chief Accountant.
  5. Approvers must adhere to the following requirements
    - a. They must be someone other than the transaction preparer.
    - b. The approver must not report to the preparer in the agency organizational hierarchy.
    - c. Approvers must review sufficient backup documentation to understand the transaction being approved, and to make an informed decision that the transaction complies with all applicable law, regulation, and policy.
    - d. If approvers grant approval despite immaterial errors or omissions, detection of the errors or omissions must be specifically indicated on the backup documentation.
    - e. Approval documentation must conform to the requirements promulgated by the State Auditor in the Budgeting, Accounting, and Reporting System (BARS) Manual for GAAP-basis governments.
    - f. Method of approval must meet the requirements set forth in the Washington State BARS Manual Chapter 3.1.4.
  6. All 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 15-4-1-EP.
- B. Expenditure Processing**
1. Expenditures processed through Oracle Purchasing, Payables, Concur Travel, and Payroll will post to a designated project or project/award combination.
  2. Corrections to expenditures will be made in the appropriate originating module as practical and passed through to the PA module. If a correction cannot be made through the appropriate module, a correcting Project/Grants entry will be required for error corrections.
  3. Corrections to expenditures where the new accounting is not to an expenditure account will be processed by FMS Financial Accounting in the General Ledger only.
  4. Miscellaneous transactions and usages will be entered into Oracle EBS PA module in one of the following ways:

- a. Automated entry from a side system (flat file or web interface) using Project Expenditure Inbound Interface PA\_INTF\_001.
    - b. Manual entry using a Smart Spreadsheet modeled after PA\_INTF\_001.
  5. All Projects entries will use a standard batch naming convention:
    - a. Agency Identifier, Oracle Username, Oracle Standard Date (DD-MM-YYYY), and a brief description of the entry.
    - b. Transaction descriptions must be clear and concise and have adequate supporting documentation.
  6. Agencies will follow their own internal control policy to monitor their financial transactions periodically (at least quarterly) to review the overall results for accuracy and for what was intended.
    - a. The person conducting the monitoring/review should not be the individual who prepared or approved/posted the financial transactions. Special considerations may be given at the agency's discretion.
    - b. Documentation of the review shall be retained by the agency.
- C. PeopleSoft Labor Error Correction
1. Prior to upload of payroll transactions from the time/labor module all corrections to POETA coding will be done in Peoplesoft.
  2. After time is processed in the PeopleSoft system and transferred to Oracle EBS, all corrections to POETA coding will be made in the Oracle EBS PA module.
  3. After each payroll run, designated agency personnel should review their projects to make sure that the hours allocated to each project are correct.
    - a. All errors that reject out of payroll processing end up in Oracle EBS Transaction Review and will be corrected by FMS Financial Systems and Services with assistance from agencies.
    - b. Errors that occur within the agency should be resolved by using Miscellaneous Transactions.
    - c. 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.
  4. Correction of payroll errors other than Project/Task/Award allocations must take place in the payroll system.
  5. 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 PA module.

6. Agencies will follow their PA module internal control and approval procedures as established under this policy.
    - a. Miscellaneous transactions can be entered via interface through methods such as PA Smart Spreadsheets and agency side systems.
    - b. A detailed reason for the correction must be entered in the description field.
    - c. For supporting documentation retention requirements, please refer to the Washington State BARS Manual Chapter 3.1.4.
  7. All error corrections, regardless of method, invalidate the employee's time & effort certification in PeopleSoft. There is no way to reconstruct this certification within PeopleSoft. Accordingly, if time and effort documentation is required, it must be generated and retained in accordance with the requirements set forth in King County Policy INF 15-4-1-EP Management of KC Public Records.
- D. Interfund Charges and Internal Billings
1. All Interfund charges will be processed through the PA module as usage or miscellaneous transactions unless directly charged through PeopleSoft Labor Distribution.
    - a. All requests for new Non-Labor Resources, which are used for Usage processing, will be reviewed, and approved by FMS Financial Accounting.
    - b. The debit and credit sides of a Usage transaction should not be in the same fund. If an agency processes a Usage within the same fund on the budgetary basis of accounting, the agency must follow the elimination requirements set forth in GASB Cod. Sec. 2200.151-.154 for GAAP-basis reporting.
  2. The agency initiating the charge must have documented approval from the agency receiving the charge.
    - a. The agency receiving the charge must provide the POETA code for the transaction to the agency initiating the charge.
    - b. Approval documentation must be kept on file by the agency initiating the charge in accordance with King County Policy INF 15-4-1-EP Management of KC Public Records. For recurring charges, one approval per year is sufficient.
  3. The charging agency is required to retain justification for the amounts charged, and to make such available for review when requested by the charged agency or an auditor.
  4. Disputes regarding internal billing will be resolved between the agencies involved and escalated to PSB for resolution if interagency efforts do not achieve resolution.
- E. Burden Transactions
1. FMS Financial Management will provide guidelines for establishing burden rates.

2. Agencies will be responsible for calculating their burden rates and forwarding them to FMS Financial Systems and Services for input into the Oracle EBS PA module.
3. FMS Financial Systems and Services will update all burden cost codes, bases, and schedules on a quarterly basis.
4. Agencies will monitor burden rates for agreement with actual expenditures and true up burden rates as needed, preferably quarterly but at least annually.
5. Agencies using burden rates to charge Federal grants must reconcile burden rates at least quarterly.

#### F. Accounting for Grants

1. All external funding sources, including grants, will be set up as Awards in the Oracle EBS PA Module.
2. 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.
3. All Federal and State Assistance Awards will be reported on the SEFA and SESFA according to standards set by FMS Grants Compliance in compliance with Uniform Guidance set forth in 2 CFR 200 and the Washington State BARS Manual set forth in 43.09.200 RCW.

#### G. General Ledger Journal Entries

1. Transactions may be posted directly to the General Ledger (GL) through preapproved and tested side system interfaces.
  - a. All side systems that interface to GL must be able to match debits/credits to transaction amounts on a line-by-line basis.
  - b. Side systems must be reconciled to the General Ledger at least quarterly.
2. 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.
3. GL Journal Entries will be approved by authorized agency approvers using the Oracle EBS Approval Management Engine inside the General Ledger module. During the adjustment period, FMS Financial Accounting will also review journal entries prior to posting.
4. Agency approvers will review journals for the following requirements:
  - a. Standard Batch Naming Convention: Agency Identifier, Oracle User Name, Batch Date and a brief description.

- b. Transaction descriptions must be clear and concise. Journal entry supporting documentation must match all journal entry amounts and transaction descriptions.
  - c. Journal expenditures may be part of a CUST transaction. The CUST process transfers GL only expenditures back to the Projects Accounting module. Otherwise, all expenditure transactions are entered through the PA module.
  - d. Journal entries must conform to Generally Accepted Accounting Principles (GAAP) for all funds impacted by the entry.
  - e. Batches that contain errors will be rejected by agency approvers and either corrected or deleted by agency journal creators.
  - f. Agency approved Journals will post on a schedule determined by FMS Financial Systems and Services and Financial Accounting.
5. FMS Financial Systems and Services will establish compensating controls, including Cross Validation Rules, as needed to assure the integrity of the County's financial data.

#### H. Accruals and Encumbrances

1. The only encumbrance transactions created automatically by Oracle EBS are generated by approved purchase orders.
2. Purchase Order (PO) Receipt Accruals will be entered into Oracle EBS General Ledger at month end and reversed at the beginning of the subsequent financial period, January through November.
3. Year End expenditure PO Receipt Accruals and P Card Accruals will be entered into and subsequently reversed from the PA module subledger as well as the General Ledger by FMS Financial Systems and Services.
  - a. Agency personnel will review these accrual and other financial transactions and work with their fund accountant to determine the eligibility of expenditures for accruals and adjust accordingly.
4. Agency personnel will enter all receipts in a timely manner and monitor open purchase orders monthly to assure purchase orders are closed after goods or services are received and the supplier payment has been made.

#### I. Capital Asset Transfers

1. Capital Assets with a value of \$250,000 or less transferred from one King County agency to another must use the Oracle EBS iAssets module.
2. Special rules apply to assets purchased with federal funds.

3. Prior to using the iAssets module, agencies involved must have a written agreement outlining the terms of the transfer, including the 'transfer to' owning department, asset custodian and iAssets approver.
4. One fund cannot benefit another. Agencies must develop and execute a compensation agreement prior to using an iAssets transfer.
5. Land transfers require additional steps outside of iAssets.
  - a. Consult with Real Estate Services to determine when these transfers require legal recording with the Recorder's Office, amongst other considerations.
  - b. The Interdepartmental Transfer in iAssets will be the official documentation in the Financial System.
6. When an asset is no longer needed or needs to be retired, personal property must be dispositioned through Fleet Services Division of the Department of Executive Services (DES) and real property must be dispositioned through Real Estate Services in the Facilities Management Division of DES.
  - a. These requests are not completed through iAssets transfers unless Surplus/Real Estate Services and the agency enter into an agreement to use an iAssets Transfer.

## **VI. Implementation Plan**

- A. This policy is effective on the date signed by the Executive. The Finance and Business Operations Division (FBOD) is responsible for implementation of this policy.
- B. FBOD is responsible for communicating this policy to the management of King County agencies and other appropriate parties.

## **VII. Maintenance**

- A. This policy will be maintained by FBOD, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by FBOD, or its successor agency prior to the expiration date.

## **VIII. Consequences for Noncompliance**

Noncompliance with this policy may result in audit findings, management letters or exit items that must be subsequently rectified and documented. It may also result in loss of access to Oracle EBS modules. In some cases, it may lead to progressive discipline up to and including termination of employment.

**Appendices:** None.