Atlas Financial Closure Instructions

1. Atlas Financial Closure Instructions refers to the process of completing the input of all accounting entries to the UNDP general ledger. This includes the recording of all business transactions for the period as well as any corrections and adjustments pertaining to prior periods. Since the general ledger forms the basis of the financial statements as well as many other reports, it is essential that all inputs be complete and accurate.

2. This document describes various processes needed to ensure that the data input to the general ledger is in fact complete and accurate. As such, a major focus has been placed on data “clean up” needed by individuals and offices.

3. At UNDP, there are three types of account closures: Monthly; Quarterly; and Year-End:

Monthly Closure:

4. Applicable to the 30 April, 31 May, 31 July, 31 August, 31 October, and 30 November closures. January and February will not be subject to closure, since the Year-End closure activities already cover those months.

5. The goal is to ensure that offices are up to date on data cleaning (AP, PO, AR, etc) and bank reconciliations.

6. The deadline for data cleaning is generally two weeks after the month end date, and the deadline for completing the bank reconciliation a few days later. Each month, the Office of Financial Resources and Management (OFRM) will issue the closure timetable for the upcoming monthly close. This timetable will include the deadlines for data cleaning.

7. OFRM is also moving to expand the scope of monthly close and will, as part of the monthly close, complete additional steps that were previously run only quarterly. This includes the posting of encumbrance accounting entries by headquarters so that encumbrances from open purchase orders are reflected in financial reports.

Quarterly Closure:

8. Applicable to the 31 March, 30 June and 30 September closures.

9. From a country office perspective, the monthly closure and quarterly closure procedures are very similar. The main difference is that HQ will post additional accounting entries (such as encumbrance accounting and the revaluation of the NEX/NGO advances), which will facilitate the preparation of complete CDRs as at 31 March, 30 June and 30 September.

Year-End Closure:

10. Applicable to the 31 December closure.
11. Similar to the quarterly closure except that offices will be required to complete the entry of vouchers and purchase orders a week or two before the end of December in order to allow sufficient time for reviewing and correcting transactions before the modules close.

12. Offices will be given additional time to review CDRs and Cost Sharing reports and correct any errors with prior year accounting date using GLJE.
13. Offices will be required to conduct a physical count of assets and reconcile to the Atlas Asset Management reports. In addition, offices will be required to certify and submit certain financial reports to the OFRM.

14. For reference see: Year End Closure Timetable

**Pending Purchase Orders**

15. A pending purchase order is one that has not been dispatched or cancelled. There are five categories of pending purchase orders.

   1) Purchase orders that are not approved and not dispatched.
   2) Purchase orders that are approved and not dispatched.
   3) Purchase orders that are dispatched but do not have valid budget status.
   4) Purchase orders with a change order that are not fully processed.
   5) Purchase orders from recurring PO voucher contracts that do not have valid budget status.

**Clean-Up of Pending Purchase Orders (POs)**

16. The clean-up of POs requires that all pending purchase orders with an accounting date on or before the month end date be reviewed. The goal is to ensure that there are no old pending purchase orders. If there are, they will create inconsistencies between reports from Commitment Control (KK), Projects and the GL.

17. The objective of the PO clean up exercise is to ensure that:

   a) There are no pending POs with an accounting date on or before the last day of the month being closed
   b) All POs dispatched to suppliers on or before the last day of the month being closed are recorded in Atlas
   c) All expenditure in the GL, KK and Projects is accurate, complete and recorded in the correct period
   d) All open PO transactions comply with UNDP’s accounting policy for expenditure

18. If the purchase order is pending as of the last day of the month being closed, is still required but cannot be resolved in time for deadlines (i.e. awaiting approval), move the accounting date forward - i.e. revise the accounting date to a date after the month end date if the purchase order is not needed, cancel it

**Clean-Up of Accounts Payable (AP) Vouchers**
19. The Clean-Up of the Accounts Payable (AP) refers to an exercise that ensures that there are no pending vouchers with an accounting date on or before the month end date. Vouchers must be fully processed in order to be correctly recorded in Projects and GL.

20. Some Atlas reports get “out of sync” due to the presence of vouchers in various stages of processing. For example:
   a) Reports from Commitment Control (KK) incorporate all Vouchers with valid budget status *(including those with Match Exceptions)*
   b) Reports from the Projects Module exclude Vouchers with Match Exceptions.

21. By correcting and fully processing those Vouchers with errors, the reports will be in sync.

**Other Vouchers**

22. **Fully processed non-PO voucher:** This voucher is one that has been approved; has a valid budget status; and is posted.

23. **Fully processed PO voucher:** This voucher is one that has been matched; has a valid budget status; and is posted. A voucher need only have valid budget status to be recorded in KK.

24. **Paid voucher:** This voucher is one for which a payment, whether manual or system, is recorded in Atlas.

25. Note: When reviewing the query results, a match status of “no match” means that the voucher is a non-PO voucher and will not proceed through matching. A match status of “exceptions” means a PO voucher is not matched because of resulting exceptions.

**Invalid Chartfields on Purchase Orders (POs)**

26. This refers to POs that are missing one or more required Chartfield values (e.g. department, fund, implementing agency, project, and donor) or have a non-expenditure account specified on the distribution line.

**Invalid Chartfields on Accounts Payable (AP) Vouchers**

27. This refers to AP Vouchers that are missing one or more required Chartfield values (e.g. department, fund, implementing agency, project, and donor) or have a non-expenditure account specified on the distribution line.

**Open, Complete and Fully Matched POs**

28. An **Open PO** is one that has not been completely liquidated into a payment voucher is considered as an open PO.

29. A **Complete PO** means that no additional receipts or vouchers will be recorded.
30. A **Fully Matched PO** means that no additional activity is anticipated.

31. All offices should review their open POs and close those that are complete. Note: The optimal time for carrying out this review is after completing the review of the pending POs.

**Unpaid AP Vouchers**

32. Unpaid vouchers are those that are approved, matched, and successfully budget-checked but not yet paid. These vouchers need to be reviewed to determine whether there are any duplicate or old vouchers that should be closed/deleted or any vouchers that were paid manually but the manual payment was never recorded.

**Fee Rows**

33. Fee Rows refers to the cost recovery for services UNDP has provided to non-Atlas agencies. Whenever you make a payment to a non-Atlas agency using a cost recovery project and a fee-generating activity, Atlas automatically creates, in the project resources table, a service fee, that corresponds to the fee in Universal Price List. All fee rows should charge the non-Atlas agency service clearing account (fund 12000).

**AR - Unapplied Contributions**

34. Unapplied contributions are those contributions that have been received from Donors but have not been applied to appropriate donor, fund or project.

**UN Agency IOVs**

35. For all payments on behalf of agencies (fund 12000) Atlas is customized to add fields so that all agency reference information is recorded in Atlas and included in the E-IOV sent to the agencies.

**Pending GLJEs**

36. Pending GLJEs are GLJEs created but not yet posted to the GL. Pending GLJEs contribute to inconsistencies between KK and GL reports. Pending GLJEs that have passed the budget check are included in KK but not in the GL. When pending GLJEs are cancelled, they no longer appear in KK.

**Donor**

37. A Donor is defined as the party with whom the UNDP signs the agreement. Two examples:
   a) The World Bank [IBRD] provides funds to the Government of Colombia in the form of a loan and the UNDP CO signs an agreement with the Government of Colombia. In this example, the Donor = Government of Colombia.
   b) The IBRD provides grant monies to UNDP and signs an agreement with UNDP to implement a project in Colombia. In this example, the Donor = IBRD.

**Fund**
38. A Fund is defined as a secondary level of information to assist UNDP in classifying the origin of the monies. Two examples:
   a) The World Bank [IBRD] provides monies to the Government of Colombia in the form of a loan and the UNDP CO signs an agreement with the Government of Colombia. In this example, the Fund = IBRD [30011].
   The IBRD provides grant monies to UNDP and signs an agreement with UNDP to implement a project in Colombia. In this example, the Fund = IBRD [30011].

39. UNDP activities are accounted for in accordance with:
   a) The Financial Rules & Regulations. Financial Regulations are formulated by the Executive Board and the Rules are established by the Administrator to give effect to the Regulations.
   b) International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Expenditure in KK, GL, and Projects

40. KK uses the terms “encumbrance” and “expenditure”.
   a) Closing year encumbrances include the unliquidated balance of all purchase orders with a budget date of closing year that have been approved and passed budget check.
   b) Closing year expenditures include all AP vouchers (PO and non-PO) with a budget date of closing year that have been approved and passed budget check.

41. GL uses only the term “expenditure”. (For development projects we sometimes refer to expenditure as delivery.) GL expenditure, for the period 1 January to 31 December includes the following:
   a) All non-PO vouchers with an accounting date between 1 January and 31 December that have been approved and passed budget check, posted (via voucher post), and journal generated to the GL.
   b) All PO vouchers with an accounting date of between 1 January and 31 December that have no match or budget exceptions, posted (via voucher post), and journal generated to the GL.
   c) The unliquidated balance of open POs with an accounting date between 1 January and 31 December that have been approved and passed budget check at the time that the encumbrance accounting process is run.

42. The encumbrance accounting process calculates the unliquidated balance of open POs as at 31 December and posts the balance to the GL as expenditure.

43. Projects use the terms “encumbrances” and “disbursements”. On the Project Budget Balance report encumbrances plus disbursements equals expenditure.
   a) Closing year encumbrances, for the most part, include the unliquidated balance of all purchase orders with an accounting date of closing year. However, for technical reasons this is not true for all purchase orders.
   b) Closing year disbursements include all AP vouchers (PO and non-PO) with an accounting date that have been approved and passed budget check.
44. OFRM is exploring options for changing the way that encumbrances are recorded in Projects so that the encumbrances in Projects will match the unliquidated obligations recorded in the GL.

**UNDP expenditure accounting policy**

45. UNDP expenditure *includes the unliquidated balance of all POs approved and dispatched prior to the close date. For the year end close, this means that our expenditure for the period 1 January to 31 December includes* POs where a legal obligation was in place by 31 December.

**Expenditure Accounting Policy**

46. Each office is responsible for ensuring that its purchase orders comply with UNDP’s expenditure accounting policy.

47. Two important considerations are described below.

**Accounting date of the purchase order**

48. A purchase order is a legally binding commitment between UNDP and a vendor for the purchase of goods or services. The date of the legal commitment is the date the purchase order was delivered to the vendor. In Atlas the dispatch date of the purchase order is intended to represent the date the purchase order was delivered to the vendor. However, there may be exceptions such as Recurring PO Voucher Contracts - RPOVCs - (which do not have a dispatch date) and purchase orders dispatched in Atlas and then delivered to the vendor at a later date.

49. The encumbrance accounting process looks at the accounting date of each purchase order and calculates the closing year unliquidated obligation for those purchase orders with an accounting date on or before 31 December. Therefore, each office will be required to certify that all purchase orders with an accounting date on or before 31 December were, in fact, delivered to the vendor on or before 31 December.

50. Keep in mind that internal and external audit routinely request offices to provide evidence that the accounting date on the PO matches the actual date that the order was placed with the vendor. The auditors also review the date the goods were delivered to make sure the time between placing the order and the receipt of goods is reasonable.

**Additional considerations for purchase orders for services and travel**

51. Services include Special Service Agreements (SSAs), service contracts, and services provided by consulting/subcontractors.

52. As previously advised, offices should not create purchase orders with a closing year accounting date where part or all of the services will be performed in the subsequent year. This is because UNDP expenditure policy requires that closing year expenditure include only the cost of services provided during the closing year. If you plan to enter into a contract where the services will be provided in closing year and the subsequent year, create two purchase orders: one with a closing year accounting date to cover the services provided in closing year and one with the subsequent year accounting date to cover the services provided in the subsequent year.
53. However, because creating two purchase orders is burdensome this is not necessary where 75% or more of the expenditure belongs to either closing or the subsequent year. Ensure that the accounting date on the purchase order is in the closing year (where 75% of the expenditure belongs to closing year) or is in the subsequent year (where 75% of the expenditure belongs to the subsequent year).

54. For travel expenses (including air tickets and DSA) the purchase order should have a closing year accounting date as long as the travel starts in the closing year.