

Unit: All Units **Category:** Account Reconciliations & Monitoring
Sub-category: General Ledger / Subsidiary Systems Reconciliations
Date Created: April 10, 2024 **Last Updated:** August 21, 2024
Created By: Financial Operations **Updated By:** Financial Operations

Overview: Reconciliation is the process of comparing two sources or systems (e.g., comparing the general ledger with another source, typically a subsidiary ledger, statement, or other source system). Further, reconciliation involves resolving any discrepancies that may have been discovered, including recording necessary adjustments to either source being reconciled.

The reconciliation process ensures the accuracy, completeness, and validity of financial information. Also, a proper reconciliation process helps ensure that unauthorized changes have not occurred to transactions during processing. This helps uncover omissions, duplication, theft, and fraudulent transactions.

Criticality: High	Frequency: Monthly	Turnaround: Other
--------------------------	---------------------------	--------------------------

Processing Time: Varies by task
--

Start Date: As triggered; Monthly or Annual basis	How Triggered:	Due Date: Monthly
---	-----------------------	--------------------------

Process Owner(s) / Key Parties / Contacts / Responsibilities:

Reconciliation: Documentation that an asset or liability object code balance is correct and accurately stated and to the general ledger KFS balance. All transaction authority resides at the unit level, unless stated otherwise in a Service Level Agreement.

UNIT:

Identify Accounts to be reconciled:

Assets (1XXX)

-cash, investments, accounts receivable sponsored/travel, inventory, building and equipment, petty cash, prepaid expenses, year-end accrued income

Liabilities (2XXX)

-accounts payable, deferred revenue, bond/debt obligations, sales tax payable, year-end accrued expenses

a. [List of Object Code responsibilities](#)

b. b. Unnatural balance for asset and liability

-balance is opposite of what would be expected
 -reconciled monthly or based on risk assessment

-assets have natural debit balance/liabilities have natural credit balance

c. Unchanged balance for asset and liability

-balance is the same as prior year ending balance (no current year activity)

Complete Risk Assessment: **High Risk:** contracts/grants, restricted gifts, materiality, accounts tied to regulatory compliance. **Moderate Risk:** Operating accounts that require outside reporting. **Lower Risk:** Unrestricted, low dollar, low volume, with no external reporting.

Determine Frequency:

-If monthly activity-the OC should be reconciled at least monthly.

-If frequent/large volume of transactions, consider reconciling weekly or daily

-If year-end accrual only, OC should be reconciled at fiscal year end and the following fiscal year Q1.

-If less frequent activity, unit determines reconciliation frequency in reference to account volume/materiality.

Identify Data Sources:

-Data must be obtained from two independent sources. Avoid circular data sources. Circular data sources are where the data used for the reconciliation is interconnected or dependent on each other in a loop-like manner. Circular data creates challenges in accurately reconciling accounts or records because changes in one data source can propagate through the loop and affect other related data sources, potentially leading to inconsistencies or circular references.

Unit Subsidiary Systems Reconciliation

- a. Sub System in Unit reconciled to KFS G/L **monthly**
- b. Reconciliation to Units subsystem **monthly**

Key Documents / Sources of Information:**Reconciliation Documents:**

- General Ledger Reports (required as one source document)
- Independent external data (i.e. Bank Statements)
- Subsidiary Ledger (i.e. Accounts Receivable Sub System to General Ledger)

Policies and Procedures:

- a. [Overall Reconciliation Guidelines](#)
- b. [Reconciling Asset and Liability Object Codes](#)
- c. [Reconciliation Template](#)
- d. [Reconciliation of Object Codes Responsibilities Chart](#)
- e. [Records Retention Policy](#)

System Access Needed:

- KFS
 - a. Financial Dashboards in KFS (available to all Roles)
 1. Account
 2. Financial Reference Guide
 3. Financial Activity
 4. General Ledger Campus Wide Activity
 5. Organizational Financial Activity
 6. Web Fin2
- Unit-Specific Subsidiary Systems

Key Risks

- Reconciliations not completed in a timely manner (Monthly).
- Reconciliations not completed with proper source documentation reviews.
- Data sources that are circular (not sourced from independent sources)
- Not reconciling to \$0 balance or the pre-determined appropriate level of materiality for the account.

Key Controls

- Second reviewer/approval of reconciliation with documentation.

Process Documented in Chronological Order:**Step 1. Preparer: Collect data from Source A&B**

- KFS source documentation (balance & transactions, same period)

Step 2. Preparer: Match transactions between sources

- Start with period balance from each source.
- Reconciler compares transactions/balances/activity from Source A/Source B to identify what is in agreement between the two systems.
- Ensures that the adjusted balances are correctly stated.

Step 3. Preparer: Identify and Research differences between sources

- Investigate cause of differences
 - Differences may be legitimate or require action
 - Timing:** May naturally correct in the following month and not require additional action in systems.
 - Omission:** Transactions missing from general ledger-requires adjustment in systems.
 - Error:** Transactions posted incorrectly in general ledger-requires adjustment in system.

- Reconciler may need to reach out to other individuals to investigate
- Goal is to ensure that the adjusted balances are correctly stated.

The reconciliation should begin by comparing the ending balance in the general ledger with the ending balance in the sub-ledger or supporting details and it should finish with matching adjusted balances for each (unreconciled difference of \$0)

Step 4. Preparer/other: Prepare necessary entries if needed

- Prepare adjusting entries or contact appropriate individuals to get activity recorded.
- Adjustments or errors should be corrected within a reasonable amount of time of being discovered (i.e., 30-60 days), ideally in the same accounting period when possible. Any corrections made outside of the accounting period being reconciled would follow the "No" path.

Step 5. Preparer: Complete reconciliation

- Unreconciled difference in reconciliation should be \$0
- An object code should be considered reconciled when difference(s) have been investigated. Proper treatment determined, and correcting eDocs have been posted.
- Ensure all the proper documentation is included within reconciliation, including the signoff with the completion date.
- Reconciliation should be completed in a timely manner (end of following month or per risk assessment, frequency).

Step 6. Reviewer: Approves and Finalizes reconciliation

- The preparer and reviewer must be two unique individuals. Check with unit finance leader or SLA for preparer and reviewer roles. In the absence of a signed SLA, written documentation for reconciliation roles and responsibilities would be referenced.
- The Reviewer of a reconciliation is part of the internal control framework
- Reconciliations should be reviewed in a timely manner (end of following month or per risk assessment, frequency).
- Items reviewers may need to check:
 - Beginning/Ending balances tie to source documents
 - Unreconciled balance is \$0
 - Reconciling items are reasonable and actively being addressed
 - No long outstanding reconciling items.
- Create procedures for the documentation and retention of reconciliation. Units must have required documentation when requested during an audit process.

Step 7. Document the Process and Completeness of Reconciliations:

Documenting completed reconciliations is an essential part of effective internal controls. It should be clear to an external reviewer that a reconciliation has been completed.

- Be consistent with reconciliation processes. Changing the reconciliation process often leads to undiscovered inaccuracies and potential fraud.
- Document reconciliations clearly to verify that a review has occurred, when it was done, and who was responsible for the review.
- The documented reconciliation process and procedures should be clearly communicated and include the following information:
 - Name of person preparing the reconciliation
 - The “as of” date or period of the reconciliation
 - Account being reconciled
 - Sub-account if applicable
 - Object Code being reconciled
 - Sub-object code if applicable
 - General ledger (GL) or KFS balance
 - Balance from other source document Examples: subsidiary ledger, statement from 3rd party or another source
 - Signature of preparer and date completed
 - Signature and date of approver review
 - Retain all documentation of source documents, GL reports, including source documents supporting reconciling items between balances of sources, if applicable.
 - The detail should include a list of items that make up the ending balance (this is different than just listing all the g/l transactions).

Metrics:

Units monitors the following:

- KFS Account Balances

Glossary of key terms/acronyms:

DFS – Division of Financial Services

KFS – Kuali Financial System