

Unit: All Units**Category:** Account Reconciliations & Monitoring**Sub-category:** Operating Account Monitoring**Date Created:** April 24, 2024**Last Updated:** August 21, 2024**Created By:** Financial Operations**Updated By:** Financial Operations

Overview: Account and object code monitoring is the process of periodically assessing an account balance or object code for reasonableness and investigating underlying accounting activity for any unexpected results. The process should be used for all accounts and object codes, particularly those not reconciled on a regular basis. The process of account and object code monitoring ensures that financial information is consistent with unit management's expectations and allows for prompt identification of potential errors in financial reporting.

Criticality: High**Frequency:** Monthly/Other**Turnaround:** Other**Processing Time:** Varies by task**Start Date:** As triggered;
Monthly or Annual basis**How Triggered:****Due Date:** as needed**Process Owner(s) / Key Parties / Contacts / Responsibilities:****UNIT: Monitoring: Verify Financial Information is Complete, Accurate, and Valid:**

A good internal control system provides a mechanism to verify that all transactions and account balances have been appropriately captured in financial reporting and that the activity is valid and has been recorded accurately and classified within the correct accounts.

Review operating accounts for reasonableness. Comparing actuals to budget and prior year activity. Conducting reasonable testing: type of activity, dollar amount, accuracy of labor charges, etc.

Transaction authority resides at the unit level, unless otherwise stated in a Service Level Agreement.

Identify Operating Accounts for monitoring:

- a. Revenue and Expense object codes (operating activity), except in b.
- b. Revenue and Expense object codes need to be reconciled if tied to subsidiary system or if in a clearing account.
- c. Sponsored (Fund CG) and Federal Appropriation (sub-fund APFEDL) must be monitored at least every other month but should be reviewed for risk to determine if monthly monitoring is prudent.
- d. Other Funds (EO,GN,OT,PL,RG,RV) should be monitored no less than quarterly and at year end.

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.

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)

Policy 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

- Monitoring not completed within proper frequency and based on risk.
- Data sources that are circular (not sourced from independent systems).
- Determining dollar level of materiality.
- Retaining evidence of reconciliation (documentation).

Key Controls

- Second reviewer/approval of review documentation.

Process Documented in Chronological Orders

Step 1. Determine Fund (appropriation, contracts & grants, restricted gifts, reserves, general department).

Step 1a. Sponsored (Fund CG) and Federal Appropriation (sub-fund APFEDL) must be monitored at least every other month but preferably monthly.

Step 1b. Other Funds (EO,GN,OT,PL,RG,RV) should be monitored quarterly and at year end.

Step 2: Generate periodic (monthly, quarterly, or annual) balance sheet reports for assets and liabilities or account statements, and perform the following tasks:

- Compare the account or object code balance to a prior period to assess whether it appears reasonable based on past experience or recent changes in circumstances (e.g., stock market decline affecting the value of investments, new building investments, etc.). Investigate any unusual or unexpected balances.
- Identify and investigate any unnatural account or object code balances (assets with a credit balance or liabilities with a debit balance). These balances are presented as negative balances in the Kualu Financial System (KFS).
- Identify and investigate any balance sheet object code balances that remain unchanged from the prior period.

Step 3. For revenue and expense object codes, generate periodic (monthly, quarterly, or annual) account activity statements and perform the following:

- Visually scan the activity to see if it appears reasonable and allowable, based on the purpose of the account/object code. Retain documentation of scanning activity and notes that support that the review occurred.
- Analytically review the activity for unusual items, outliers, or unexpected ending balances (e.g. expense accounts with credit balance or revenue accounts with a debit balance)
- Compare to budgeted amounts and prior period activity and investigate any balances that remain unchanged or that unexpectedly changed significantly.
- Investigate significant or unexpected items or variances, based on the account's purpose, past experience, or recent changes in circumstances (e.g., changes in business activities or funding, salary changes, etc.).

Step 4: Identified corrections must be processed in a timely manner. Record revenue and expenses in proper fiscal year and period. 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.

Step 5: Create procedures for the documentation and retention of review. Units must have required documentation when requested during an audit process. Make notations on documentation and provide evidence for the account monitoring by an individual with sufficient knowledge of the account purpose and transactions. Examples can include: calendar invites, meeting minutes, agendas, emails evidencing account review, reviewed reports, scanned financial records, financial application analytics, etc.

Appendix: Questions to consider when monitoring accounts, must be performed by an individual familiar with account transactions.

- What is the purpose of the account?
- What type of activity/transactions/object codes should I expect to see?
- Is the balance of the transactions reasonable compared to budget, based on your knowledge of the current or prior-year activity?
- Does the amount of transactions or total monthly activity seem too large or too small?
- Does the object code have the correct natural balance? If not, did an entry post in reverse; did an e-doc post to the account in error; was there a duplicate entry?
- Was an object code used this year that had not been used in previous years? Is this appropriate, or did something post to an incorrect object code?
- Are the following items accurate: Amount? Is the accounting entry posted correctly? Is the accounting string accurate (account, sub-account, object code, or sub-object code)?
- Who is the edoc initiator?
- Does the description make sense?
- Did any P-Card transactions go auto?
- Should salary and employee benefits post to this account?
- At least annually, as a process separate from effort certification, review the charges for your accounts in the labor ledger for reasonableness. Are the correct individuals and salary allocations posted to the correct account?

Metrics:

Units monitors the following:

- KFS Account Balances

Glossary of key terms/acronyms:

DFS – Division of Financial Services
KFS – Kuali Financial System