3.8.1 ACCOUNT BALANCE RECONCILIATION

1. Reconciliation Purpose

Account balance reconciliations provide reasonable assurance that account balances on the University’s Statement of Financial Position are accurate, complete and valid. Together the account balance reconciliations and account balance attestations are key internal controls that provide reasonable assurance around the following financial statement assertions:

- **Accuracy**: Transactions were accurately recorded at appropriate amounts.
- **Completeness**: All assets, liabilities and net asset balances that should have been recorded were correctly recorded on the Statement of Financial Position.
- **Existence**: All assets, liabilities and net asset balances that were recorded on the Statement of Financial Position existed at the end of the financial period.

2. Definitions

A. **Statement of Financial Position**
The Statement of Financial Position is a financial statement that reports the balances of the University’s assets, liabilities and net assets at a point in time. The Statement of Financial Position is also known as a Balance Sheet. Additional information about the Statement for Financial Position is available in the Balance Sheet Account Reconciliations section of the Gateway to Financial Activities [3] website.

B. Account Balance

An account balance on the Statement of Financial Position represents the balance of an asset or liability at a point in time, such as at the end of a month, quarter or year.

" The University’s assets on the Statement of Financial Position represent resources owned or used by the University and include cash, accounts receivable, prepaid expenses, inventory, pledges receivable, loans receivable, investments, and plant facilities. Assets are designated with a 1XXXX series object code [4] or expenditure type [5] in the University’s Chart of Accounts [6]. Assets typically have a debit (positive) balance.

" The University’s liabilities on the Statement of Financial Position represent debt or obligations to others and include accounts payable, accrued expenses, liabilities associated with investments, notes and bonds payable, and U.S. government refundable loan funds. Liabilities are designated with a 2XXXX series object code [4] or expenditure type [5] in the University’s Chart of Accounts [6]. Liabilities typically have a credit (negative) balance.

C. Account Balance Reconciliation

An account balance reconciliation is the comparison of one or more asset or liability account balances in the general ledger to another, often independent or more detailed source of financial data, such as a bank statement, a subledger or another system. The differences between the account balance and the other source of financial data are reconciling items. Reconciling items may be caused by timing differences or errors, such as general ledger errors, bank errors, or subledger system errors that should be resolved in a timely manner.

3. Responsibility for Reconciliations

A. Reconciliation Preparation and Review

At least quarterly, each University department with an asset or liability account balance in the general ledger is responsible for designating individuals who are responsible for reconciling and reviewing those balances on all ledgers (typically within 30 days of general ledger close).

Multiple account balances that are of a similar nature may be reconciled together in one reconciliation, as needed. For some object codes there may be multiple account balances that are the responsibility of different departments. Each department is individually responsible for reconciling its respective balance.

In addition to quarterly reconciliations, some account balances must be reconciled and reviewed monthly. The University Controller’s Office designates reconciliation frequency for account balances based on multiple factors including risk, materiality and history.

Individuals responsible for reconciling and reviewing cash accounts should also refer to Guide Memo 3.6.1: Bank Accounts [7] and the Office of the Treasurer’s website [8] for additional guidance on bank reconciliations.
Each University department with an account balance on the Statement of Financial Position is responsible for:

- developing and maintaining desk procedures for account balance reconciliations.
- ensuring that account balance reconciliations contain adequate supporting documentation.
- ensuring that reconciling items are resolved in a timely manner.

Account balance reconciliation best practices and other resources are available in the Balance Sheet Account Reconciliations section of the Gateway to Financial Activities website.

B. Correction of Transactional Errors

If transactional errors are discovered during the account reconciliation, the department is responsible for their correction.

Information about how to correct miscoded transactions is available in the Balance Sheet Account Reconciliations section of the Gateway to Financial Activities website.

C. Compliance with Policies and Procedures

University departments are responsible for implementing and maintaining adequate reconciliation procedures, including reconciliation approval and segregation of duties. Refer to section d. Reconciliation Roles below for additional information about reconciliation segregation of duties.

University departments are responsible for adhering to department-specific reconciliation policies and procedures. It is recommended that University departments annually review all department-specific reconciliation policies and procedures for accuracy and validity.

University departments are responsible for adhering to all University policies and procedures during the reconciliation process. This includes but is not limited to adherence to University policies and procedures regarding:

- Stewardship of University resources (see section 6 Financial Responsibilities and Internal Controls in Guide Memo 1.1.1.: University Code of Conduct)
- Record retention of approved reconciliations for future review by the University’s external auditors, internal auditors or the University Controller’s Office (see Guide Memo 3.1.5: Retention of Financial Records)
- Obtaining required transaction approvals (see the Financial Authority section of the Gateway to Financial Activities website)
- Processing and approving Accounts Payable transactions in Oracle (see Guide Memo 5.3 Purchasing and Payments)
- Processing and approving iJournals (see the Funds Management / About iJournals section of the Gateway to Financial Activities website)
- Reporting alleged financial irregularities (see Guide Memo 3.5.1: Financial Irregularities)

D. Reconciliation Roles

University departments are responsible for establishing appropriate segregation of duties for account balance reconciliations. Segregation of duties is an internal control that helps safeguard University resources by separating responsibility for a task. The same individual should not prepare and also review a reconciliation. Additionally, University departments are responsible for segregating the reconciliation preparation and activity recording duties. The same individual should not record transactional activity and also reconcile the account balance.

Reconciliation preparation and approval should only be performed by individuals with knowledge of the account balance and an understanding of the reconciliation purpose. Reconciliation reviewers are responsible
for ensuring that reconciliation preparers are adequately trained and possess the skill, experience and competence for preparing the reconciliation.


4. Reconciliation Review

The University Controller’s Office periodically conducts independent reviews of account balance reconciliations. It is expected that reconciliations will be completed prior to the date of request (typically within 30 days of general ledger close) and provided to the Controller’s Office upon request as needed during an audit or other financial statement review. Information about the Reconciliation Review Program is available in the Balance Sheet Account Reconciliations section of the Gateway to Financial Activities [3] website.


Links