

Account Reconciliation Training

The content of this presentation was the most up-to-date information available at the revision date. However, policies, procedures and guidelines may be updated during an academic year. Please refer to the [University Policy website](#) for the most current version of these policies, procedures and guidelines.

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Learning Outcomes

- Understand the purpose of an account reconciliation
- Understand the components of a reconciliation
- Understand the chartstring and its components
- Understand various institutional accounting terms
- Understand the types of expense accounts to be reconciled
- Understand the purpose and how to track encumbrances
- Understand and utilize the steps in the reconciliation process
- Understand the process for making corrections to expenditures

What is an Account Reconciliation

- Campus departments are responsible for verifying transactions that they expect to appear on their Budget Reports to those transactions that actually do appear on the reports.
- Basically, you confirm that the transactions posted and the remaining balance in one's departmental budget is accurate and correct.

Purpose of Account Reconciliation

- To ensure that your department has been correctly charged for all expenditures and encumbrances.
- To ensure that all expenses were properly authorized and approved by your department.
- Provides a method of “checks and balances”
- Improves internal control

Frequency of Reconciliation

- Reconciliations should be completed at least monthly.
- Periodic reconciliations may be necessary throughout the month for accounts with lots of activity.

Components of the Reconciliation Process

- Reconciliation
- Review
- Acknowledgement

Reconciliation

- Process of reconciling charges to your departmental account.
 - Is it an appropriate charge?
 - Were the charges approved?
- Comparison of your departmental transaction records to those on the report.
- Ensuring that transactions are valid and coded to the proper chartfields/account.
- Investigate any unexpected or unknown charges.

Performed by the person with knowledge of the departmental budget and expenditures.

Review

- Ensures that the reconciliation has been completed.
- Review reconciliation documents for accuracy and completeness
- Ensure all discrepancies are resolved on a timely basis.
- Signs a reconciliation confirmation document.

Performed by the person with fiscal responsibility for the account.

Acknowledgement

- Attestation that financial information has been reconciled and any discrepancies have been identified and corrected.

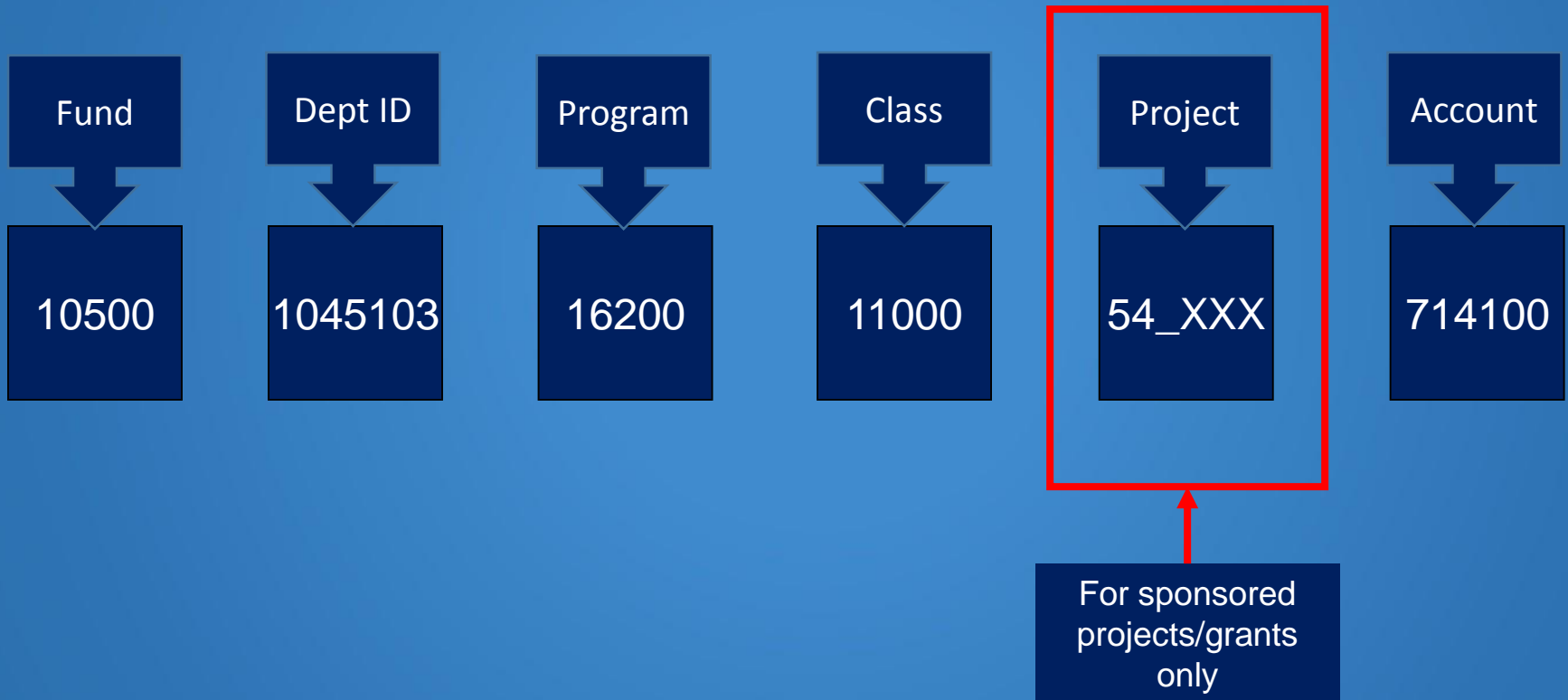
Separation of Duties

- Duties should be separated between reconciliation, review and acknowledgement whenever possible. At a minimum, two individuals are required to participate in the reconciliation and review.
- The same individual should not perform all three functions.

Items to Reconcile

- Expenses
 - Personal Services (500000) - Expenses for salaries and benefits
 - Travel (600000) - Expenses for employee and non-employee travel
 - Non-Personal Services (700000) - Traditional day to day expenses necessary for the operation of the Unit. Includes small value property under \$4999.99
 - Equipment (800000) - Purchases of capitalized equipment (equipment over \$5000)
- Revenue (400000)
- GL Accounts (100000 & 200000)

Account Number/Chartstring Structure



Transaction Type Definitions

- Vchr – Transactions generated through the Accounts Payable module. Includes any payments made to vendors (not employees)
- ExRpt – Transactions generated through the Travel and Expense module. Includes payments made to employees for travel or other miscellaneous reimbursements.
- JE – Transactions created through the entry of a journal entry in the ledger.
- REQ – Transaction created when an ePro Requisition is created
- PO – Transaction created when a Purchase Order is created

Column Definitions

- Pre-Encumbrance – claim made against a funding source as a result of a requisition
- Encumbrance – a claim made against a funding sources as a result of a purchase order
- Expended – funds paid out for goods or services
- Remaining Amount – available funds that can be utilized for future expenses.

Definitions

- Accounting Periods – Twelve monthly periods that constitute the accounting year. At UWG, the accounting year is July 1 – June 30. (July is period 1, Aug is period 2, etc.)
- Source Documents – Documentation indicating a payment, request for payment, deposit, etc. Can be a copy of the request that was initiated. Does not have to be an actual copy of the invoice. Helps to establish an audit trail.

Definitions

- Debit – When reviewing expense accounts, a positive number indicates a debit so a positive amount on your budget activity report indicates funds were deducted from your departmental account.
- Credit – When reviewing expense accounts, a negative number indicates a credit so a negative amount on your budget activity report indicates funds were put back into your departmental account.

Encumbrance Definition

- Encumbrances are amounts that have been reserved for future expenditures.
- Encumbrances are usually only used for purchase orders, personal services and in some cases travel authorizations.
- Remember that encumbrances, until expensed, should be deducted on your department record.
- Once the expense is recorded for the encumbrance, the encumbrance will be reversed and an expense will be recorded.

PO Encumbrance Report

- Found on Purchasing's Website > Open Encumbrance Report
- Filter to see a specific Department ID
- Report should be utilized to review open encumbrances to ensure they are valid.
- If encumbrance needs adjusting, contact Purchasing Services.

Understanding Encumbrances on the Budget Activity Report

Budget Manager: Lewis, Daniel G **Budget Ref:** 2015 **From Fiscal Year:** 2015 **To Fiscal Year:** 2015
Department: 1045125 Center for Business Excellence **All Fiscal Periods:** No **Acct Period From:** 1 (JUL2014) **Acct Period To:** 2 (AUG2014)
Fund Code: 10500 Tuition

<u>Account</u>	<u>Jrnl/Tran</u>		<u>Program/</u>		<u>APPROP</u>	<u>ORG</u>		<u>Pre-Encum</u>	<u>Encumbrance</u>	<u>Expended</u>	<u>Remaining</u>
	<u>Date</u>	<u>Type</u>	<u>DocumentID</u>	<u>Line</u>	<u>Class</u>	<u>Budgeted</u>	<u>Budgeted</u>				
					<u>Description</u>	<u>Vendor</u>	<u>Check</u>				
08/08/14	PO		0000419982	4	Pre-Enc Liquidation: 0000414131/	4 STAPLE-CAT		-44.87	0.00	0.00	
08/08/14	PO		0000419982	4	Dell Toner Cartridge, DT615, High Yie	STAPLE-CAT		0.00	44.87	0.00	
08/08/14	PO		0000419982	5	Pre-Enc Liquidation: 0000414131/	5 STAPLE-CAT		-1.70	0.00	0.00	
08/08/14	PO		0000419982	5	Staples Stickies Self-Stick Removable	STAPLE-CAT		0.00	1.70	0.00	
08/08/14	REQ		0000414131	4	Dell Toner Cartridge, DT615, High Yie			44.87	0.00	0.00	
08/08/14	REQ		0000414131	3	Avery Pen Style Highlighters, Chisel			2.70	0.00	0.00	
08/08/14	PO		0000419982	3	Pre-Enc Liquidation: 0000414131/	3 STAPLE-CAT		-2.70	0.00	0.00	
08/08/14	REQ		0000414131	2	Sanford Major Accent Highlighters, Ch			5.44	0.00	0.00	
08/08/14	REQ		0000414131	1	Sanford Sharpie Permanent Markers, Fi			2.84	0.00	0.00	
08/20/14	Vchr		04091667	4	Dell Toner Cartridge, DT615, H	STAPLE-CAT	401512	0.00	0.00	44.87	
08/20/14	Vchr		04091667	4	Enc Liquidation: 0000419982/	4 STAPLE-CAT		0.00	-44.87	0.00	
08/20/14	Vchr		04091667	3	Avery Pen Style Highlighters,	STAPLE-CAT	401512	0.00	0.00	2.70	
08/20/14	Vchr		04091667	3	Enc Liquidation: 0000419982/	3 STAPLE-CAT		0.00	-2.70	0.00	
08/20/14	Vchr		04091667	2	Enc Liquidation: 0000419982/	2 STAPLE-CAT		0.00	-5.44	0.00	
08/20/14	Vchr		04091667	1	Sanford Sharpie Permanent Mark	STAPLE-CAT	401512	0.00	0.00	2.84	

Reconciliation

Step 1

Items Necessary for Reconciliation Process:

- Departmental Record of all expenses that are initiated and approved by your department. This record can be kept using Excel, Quickbooks, ledger paper, etc.
- Copies of Source Documents. These are copies of documents/transactions that are submitted for processing. Departmental unit should make copies of transactions before they are submitted to Controller for processing.

Reconciliation

Step 2

- At the end of each month (or periodically throughout the month), run the Budget Activity Report for the Fund and Department ID that you need to reconcile.
- Be sure to run it for the accounting period in which you want to reconcile.

Reconciliation

Step 3

- For the current month you are reconciling, review each line on the Budget Activity Report and compare those transactions to the transactions on your departmental record.
- Verify the amount, vendor, chartstring/account code and type of transaction.

Reconciliation

Step 4

Transactions NOT on your Departmental Record

- If you find transactions on your Budget Activity Report that are not on your departmental report, you need to investigate those transactions.
 - Contact the department initiating the transaction to obtain a copy and validate the transaction.
- Maintain evidence of review and corrective action taken/finalized. Must ensure that corrections are completed and finalized. *Corrective action may go beyond the current month.*
- If the transaction is valid, you need to update the item on your departmental record.

Reconciliation

Step 5

Transactions NOT on your Budget Activity Report

- If you have transactions that are not on your Budget Activity Report but are listed on your departmental record, ensure that the transaction should be posted.
- If you have a transaction that should have posted to your account but has not, contact the Office of the Controller.

Reconciliation

Step 6

- Review any Budget Amendments that have been requested to ensure they have been posted to your account.
- The Budget Transaction Review or Budget Overview can be used to view posted budget amendments.
- These will need to be considered as additions or deductions to your account as necessary.

Reconciliation

Step 7

- Once the comparison has been made between the two reports and all transaction corrections have been made, the remaining balance on your Budget Activity Report should match the remaining balance on your department record.
- This remaining balance is the amount of funds left in your departmental budget for future spending.

Reconciliation

Step 8

- If errors are found on your Budget Activity Report where an expense was incorrectly posted to an account, please initiate an Expenditure Transfer Form to have the expense moved to the correct account.

Reconciliation

Step 9

- Submit your completed reconciliation to the person who will be performing the review of the reconciliation.
- Include cover letter that states the reconciliation month, any anomalies found and corrective action taken as well as signature lines for both the reconciler and reviewer.

Reconciliation Step 10

- Reviewer should look for
 - Unusual transactions
 - Duplicate or erroneous payments
 - Correct account numbers
 - Reasonableness
 - Transactions that are not allowable per policy
 - Reconciling Items
- Sign the cover letter acknowledging receipt and review of reconciliation.

Reconciliation

Step 11

- Semi-Annual memo that will be required indicating that all accounts have been reconciled/reviewed and that adequate separation of duties exist.
- Reviewer should submit acknowledgement as requested.

Questions on Budget Activity Report

- Who do I contact if I have questions regarding transactions on my Budget Activity Report?
- First, contact the department originating the charge. For example, if you have a question on a campus charge, contact the department who submitted the charge.
- Second, contact the Office of the Controller if originating department cannot provide resolution.

Expenditure Transfer Form

- Form can be found on the Controller's webpage.
- Includes a field for a tracking number assigned by the department.
- The form should be completed and signed by the approving authority for the cost center receiving the charge.
- Only used for amounts actually expended. If a PO amount is changing, contact Purchasing to request a change order.

Expenditure Transfer Form

- Attach documentation indicating the original posting of the charge (i.e. copy of Budget Activity Report or any other supporting documentation).
- Must include the actual GL account for the expenditure on the Expenditure Transfer Form (i.e. 714100 not 714000 or 700000)
- If the account ends in three zeros it is wrong.

Reconciliation Reports

- Personal Services – ADP Payroll Report (this is a report that can be provided to you by your college or divisional budget manager) along with Budget Activity Report can be used to verify expenditures. Do not need to verify encumbrance projections or benefits for personal services.
- Travel – Budget Activity Report
- Non-Personal Services – Budget Activity Report
- Equipment – Budget Activity Report

Revenue

- If your department receives revenue (deposits) into an account, those accounts should also be reconciled to ensure all deposits made at Cashier's window are recorded on Revenue Report.
- Revenue Summary Report or Revenue Budget Activity Report can be utilized to determine amount of revenue received.
- Reconciliation process is basically the same as an expense account.
- Make sure to retain a copy of the Cashier's Receipt when making deposits.

Documentation of Reconciliation

- Cover letter/Memorandum from Reconciler
- Printed Name of Reconciler and Reviewer
- Signature by Reconciler and Reviewer
- Date
- Types of Documentation
 - Copy of Budget Activity Report
 - Copy of Departmental Record (can be electronic)
 - Source Documents – copies of purchase and pay requests, campus charges, pcard summary, etc. An actual copy of the invoice paid is not necessary if the purchase request is included.

Reconciliation Documentation

Month _____ Year _____

- Account reconciliation for the following account(s) has been completed:

Fund	Dept ID	Program	Class	Project	Account

- Anomalies noted with expected corrective date and action:

Reconciler

Printed Name

Signature

Date

Reviewer

Printed Name

Signature

Date

Record Retention

- Monthly reconciliations including all working papers should be kept for 7 years.

Accounting Listserv

- The Accounting Listserv will be used as a communication tool to notify departments of important announcements.
- You will be added to the Accounting Listserv at the conclusion of this training.

Questions?