Subject: Account Reconciliations	Author:
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Purpose

To inform all University of Louisville departments of the responsibilities, policies, and procedures related to the reconciliation of speedtypes. Verification of financial transactions ensures the accuracy and integrity of financial reporting records and protects University assets, serving as a key element of the University's system of internal controls.

For most transactions, the financial report review process serves as the primary method for detecting errors, omissions, and fraud. The review shall take place at least monthly. The responsible officer (department chair, director, principal investigator, or department head equivalent) shall designate an employee to perform the financial report review process to ensure that:

1. Fiscal transactions are processed and recorded correctly; adhere to the University's policies and sponsor or donor stipulations; and are posted in the appropriate accounting period.
2. All general ledger activity under the department's control, including, but not limited to: accounts receivable, clearing accounts, deferred revenue, inventory, and prepaid expenses are reconciled to the responsible unit's supporting documents on a monthly basis;
3. All reconciling items are resolved promptly;
4. All fiscal transactions placed in suspense accounts are resolved at least monthly;
5. The fiscal transactions represent proper use of University resources;
6. Available resources are sufficient to cover the fiscal transactions, considering all outstanding commitments; and
7. Financial reports, reconciliations, and issues are reviewed and discussed with the responsible officer at least monthly.

Definitions

- *Allocable expense*: a cost incurred that is for the benefit of a speedtype and directly related to its purpose

- *Allowable expense*: a necessary, reasonable, and appropriate purchase of goods or services permitted by university policy to be paid from a specific cost object

- *Approver*: individual authorized to review and approve work of the responsible person or reconciler

- *Cash*: the amount of funds the individual program or sponsored program holds in the University's bank account. Includes all accounts 110101 – 110199.

- *Ledger*: the official university record of all financial transactions. Ledgers may list transactions for any PeopleSoft program or project.

- *Program*: a 5-digit alpha-numeric chartfield within the University's accounting system used to record revenue, expense, balance sheet data, and/or other productivity measures for an organizational unit.

- *Project*: a 10-12 digit alpha-numeric chartfield within the University's accounting system used to record revenue, expense, balance sheet data, and/or other productivity measures for a sponsored program activity (grants, clinical trials, etc.)

- *Reasonable expense*: a payment that is not extreme or excessive and reflects a prudent decision to incur the cost on behalf of University business

- *Reconciliation*: a process that compares two independent sets of records to make sure they agree, and identifies and resolves differences. For the purpose of this policy, the comparison is between the supporting documentation maintained by the department and PeopleSoft system information.

- *Reconciler*: individual designated to keep documentation and compare it to the report of transactions generated from University Reports. Should not initiate or process transactions for the speedtype.

- *Responsible person*: individual identified as responsible for managing the funds in this speedtype.

- *Supporting documentation*: records such as payroll documents, procurement card receipts, purchase orders, Request for Disbursements, travel vouchers, cash transmittals, and journal vouchers (JVs) that are the source of accounting transactions; may be paper or electronic.

Responsibilities
Department responsible person or designee
1. Reconcile ledgers for all programs and projects with transactions on a monthly basis
2. Correct errors on a timely basis, including contacting other departments or other appropriate person to correct the discrepancy.
3. Perform variance analysis to compare actual operations to budgeted amounts. Investigate and resolve any large or unusual variances.
4. Review reconciliations with appropriate management personnel and obtain written approval.

      Controller's Office
1. Post documents such as Request for Disbursements, travel vouchers, cash transmittals, and JVs in a timely manner to provide accurate monthly data in PeopleSoft/University Reports.
2. University Accounting will provide assistance to departments regarding program reconciliations.

      Sponsored Programs Administration
1. Sponsored Programs Financial Administration will provide assistance to departments regarding sponsored program reconciliations.

      Budget and Financial Planning
1. The Budget Offices will post budget related documents in a timely manner.
2. The Budget Offices will provide assistance to departments regarding budget reconciliations.

Policy

The responsible person or designee will reconcile all programs and projects on a monthly basis which includes all accounts in the program. If a speedtype is a sponsored program or has any transactions during the month the reconciliation must be reviewed and signed by the responsible officer. The designated person at the Vice-President or Dean level will report the status of all reconciliations to the Controller's Office within 30 days of the month end close.

All transactions will be reconciled to the supporting documentation.

The department must maintain appropriate separation of duties by distributing the functions of authorizing and recording transactions, performing reconciliations, and the physical control of related assets among several people or departments. The reconciliation must be performed by an individual that does not initiate or process the transactions. The reviewer of the reconciliation must be a more senior level unit business manager or the responsible officer for the program/ sponsored program. Cash operations, payroll, purchasing (including procurement card management), and receiving are examples of areas where separation of duties is essential. Note that in a small office where separation of duties is difficult, it is imperative that the supervisor review and approve all activity.

Any discrepancies or errors must be corrected as soon as possible and always within 60 days of the month end closing date, with the exception of those occurring in June. Those must be corrected prior to fiscal year-end close by the date specified in the schedule published annually by University Accounting. See the Transfer of Previously Charged Expenses and Timely Posting of Transactions policies.

Some accounts may not have independent supporting documentation, including:

- Cash - considered reconciled if all other accounts are reconciled, as it generally represents the offset to all other entries.

- System Accounts Payable (214110) - represents system AP transactions and entries should net to zero once payment has been made.

- Fringe Benefit - cannot be reconciled against outside documentation. This account should be reviewed to ensure charges related to expected personnel.

- Sponsored Program accounts receivable/billing – accounts should be reviewed for reasonableness. Questions should be directed to Sponsored Programs Financial Administration.

Procedures

Below are general guidelines for the reconciliation process. Each unit should have written procedures that document the unit's process for implementation of this policy.

Once the fiscal period has closed, the reconciler should:

1. GENERATE the necessary system University Reports for the program or project being reconciled. The main report would be the CONT-03A/B, which provides budget and actual data by month for a program (CONT-03A) or project (CONT-03B).

2. GATHER any supporting documentation for the month. Examples include purchasing documents, procard reconciliations/submissions, payroll estimates, submitted journal vouchers, etc.

3. VERIFY that the current month's beginning balance agrees with the prior month's ending balance and that the prior month's discrepancies have been corrected.

4. COMPARE supporting documentation to system generated (University Reports) line item reports ensuring all transactions are allowable, reasonable, allocable, accurate, and approved for the program or project. Review both actual line items and budget line items (i.e. budget transfers and revisions) during the reconciliation process.

5. CHECK payroll summary reports to ensure all personnel charges are allowable, reasonable, allocable, accurate, and approved for the program or project charged.

6. CLEAR any discrepancies found during the reconciliation process by preparing the required JV's or payroll corrections immediately. For those discrepancies that require action outside your department, contact the appropriate office or individual to have the discrepancy corrected immediately. Correct payroll postings in the HR module of PeopleSoft using the Payroll Expense Transfer process. Prepare a JV for all other corrections to actual amounts and submit to the Controller's Office. Any JVs involving sponsored programs (grants) must be routed to the Sponsored Programs Financial Accounting department first.

7. REVIEW pre-encumbrances and encumbrances to ensure all encumbrances are allowable, reasonable, allocable, accurate, and approved for the speedtype.

8. CERTIFY the reconciliation for the month by having both the reconciler and the approver sign as appropriate.

Records Retention

Keep reconciliation records per University Records Program or Sponsor Record Retention Policies, whichever is longer, in either hardcopy or electronic format. Generally the retention policy for non-Sponsored Programs is three years. For all Sponsored Programs, please refer to the specific agreement, as retention requirements may vary.