

Balance Sheet Reconciliation Procedure

Scope

This document provides guidance on the process followed to periodically reconcile the University's asset and liability account balances. Activities contributing to an accumulated fund balance, including revenue, expense, and transfer activities, are monitored through the monthly cost center account reconciliation process. Therefore, fund balances and fund balance transfers are not within the scope of this procedure.

Within the University's chartfield structure, asset accounts begin with 1XXXX. Major asset categories include:

- Cash and Cash Equivalents
- Balance in State Appropriation
- Accounts Receivable
- Due from System Administration
- Investments
- Funds Held by System Administration
- Capital Assets

Within the University's chartfield structure, liability accounts begin with 2XXXX. Major liability categories include:

- Accounts Payable and Accrued Liabilities
- Salaries Payable
- Deferred Revenue

Purpose

Reconciliation is the process of comparing information that exists in two systems or locations, analyzing differences as well as identifying corrective action needed and making recommendations to ensure accurate, complete, and consistent information. Balance sheet accounts must be reconciled on a periodic and timely basis to verify that all items were recorded correctly. All transactions within the balance sheet account must be included in the reconciliation. Accurate and timely reconciliations ensure automated systems are functioning as intended, transactions are recorded correctly, and University resources are protected.

Accounting and Financial Reporting (AFR) maintains a list of balance sheet account assignments. This list includes the person responsible for completing individual account analysis and account approver information. As new accounts are established, AFR will work with process owners to assign an individual to complete the reconciliations. On a quarterly basis, AFR will notify individuals when balance sheet data are loaded into the Balance Sheet Reconciliation application and are ready for analysis. Supporting records attached to reconciliations for each period will be maintained electronically.

Process

Preparing Required Documentation

In general, balance sheet reconciliation is a 2-step process. The first step requires the preparation of a separate work paper for each balance sheet account. The second step consists of documenting

outstanding items within the reconciliation application. Work papers, reconciling items and comments will then be routed for approval. The balance sheet account reconciliation work paper should contain the following information:

- a. The balance sheet account number and account name
- b. A statement of purpose for the account
- c. A brief description of the debit/credit activity that normally processes through the account.
- d. The accounting period through which the analysis is being completed.
- e. Activity for the period - presentation will be different based on the type of the account and the volume of activity that is recorded monthly in that account.
- f. Substantiation of the account's ending balance through review of underlying supporting documentation. Note – the reconciliation application will not allow users to submit a reconciliation for approval without attaching supporting documentation.
- g. The name of the individual preparing the reconciliation
- h. Account information updated for changes in processing and other factors.

Completing the Analysis

Within the University's accounting system, perform the following activities after each quarter-end close:

- a. Confirm the reconciliation application account balance with the general ledger account balance.
- b. Review the activity posted to the account to ensure that detail items are:
 1. Properly classified to the account
 2. Authorized in accordance with university policies, State and Federal laws and regulations, and specific sponsor or donor requirements or restrictions, and
 3. Within the guidelines of the stated purpose of the account
- c. Ensure that all expected activity appears on account.
- d. Take appropriate actions to record necessary adjustments.
- e. Take immediate action to resolve errors or discrepancies noted during the reconciliation process and follow up to ensure that errors are corrected.
- f. Confirm the ending balance per the reconciliation agrees to the general ledger balance and supporting documents.

Reviewing the Analysis

Submit the completed analysis at the end of each quarter for review by the approver within the reconciliation application. The approver must verify that:

- a. The reconciliation analysis includes all of the transactions within this balance sheet account.
- b. Ending balances agree to the general ledger.
- c. Ending balances are substantiated with appropriate supporting documents.
- d. All activities are appropriate and reasonable.
- e. Adjustments or corrections, if necessary, have been initiated

Reconciliation Timeline

Balance sheet reconciliations are due within 30 days of receiving the notification that account information is available for analysis. A complete reconciliation consists of approved reconciliations and appropriate supporting documentation attached within the reconciliation application. Outstanding reconciling items should be clearly identified and addressed on a regular and timely basis.

Monitoring

Supporting documentation for items which make up the balance in an account should be retained until open items have cleared. Supporting documentation (such as invoices, cash receipts, journal entries, etc.) in the account analysis should be kept in accordance with record retention guidelines.

An AFR representative will review, and monitor completed and approved reconciliations for accuracy and completeness.

The Financial Compliance Manager will prepare a reconciliation status report on a quarterly basis for review and follow-up.

At year-end, the final reconciliation status report is submitted to the Associate Vice President and Controller and the Vice President for Budget and Finance. The quarterly and annual status reports include overall completion status for balance sheet reconciliations and detailed information for all reconciling items.

Refer to The Office of Budget and Finance [Training Materials](#) page for 'Balance Sheet Reconciliation Guide'.

Questions regarding this procedure may be directed to Accounting and Financial Reporting at 972-883-2352.