Account Reconciliations

A Risk Based Approach
• Policy requirement
  • **FIN-ACC-I-1**: Role of Fiscal Officer, Account Manager and Account Supervisor

  *Under duties & responsibilities of Fiscal Officer* ...“that transactions are recorded and reported properly, that the account is reconciled on a monthly basis”

• To ensure appropriate use of University Funds
  • **FIN-ACC-I-330**: Inappropriate Use of University Funds

  *Judgment should be utilized by Fiscal Officers, Account Managers and Account Supervisors in determining if expenditures are appropriate, given the fund group and the mission of the university. Indiana University, being a state institution is in a sensitive situation of using state appropriations and student fees in an appropriate manner. Since many of the other fund groups are supported by these revenues as well, the issue of appropriateness applies to all accounts.*

**Why do we reconcile?**
• Effective internal control over account management
  • Detect & correct errors in a timely manner
  • Segregation of duties
  • Fraud control

• To ensure propriety & accuracy in financial statements
  • Expense / income is booked to appropriate account
  • Activity is classified to appropriate object code

• Track / monitor budget status & encumbrances

Why do we reconcile?
• Policy non-compliance / Inappropriate use of University funds

• Documents/transactions that don’t route
  • Examples: Cash Receipts, Scholarships/Fellowships, Fee Remissions, Payroll/Adjustment Vouchers

• Weak internal controls
  • Lack of segregation of duties
  • Lack of adequate audit trail / documentation

• Quality of transaction approvals

• “Out-of-the-Ordinary” transactions

What are your Risks?
Tools

- **IUIE**
  - Detailed transactions by account – excel format
    - Catalog -- Master Catalog -- Kuali Financial -- General Ledger -- Datagroups -- Detail Transactions
    - Enter appropriate account number, fiscal period & fiscal year
    - Financial Balance Type Code = AC
    - Choose columns as needed/applicable
    - Monthly Operating Statement (MOS/MOD)

- **Excel**
  - Documentation of reconciling process
  - Effectively track errors/corrections
  - Period to period comparisons – easier to detect fluctuations, non-routine transactions, etc

- **KFS (and other systems as applicable)**
  - Research transactions, balances, approvals, document notes, etc
• Operating Accounts
  • According to operating budgets, account guidelines, etc
    • General Funds (10&19), Faculty Research (22), Institutes, Conference, Programs, etc (23), Restricted Funds (29), Special State App (27)
• Financial Aid
  • Should only have financial aid expenses
    • General funds (10&19), Restricted Scholarships (25), Restricted Fellowships (26), Unrestricted (24)
• Research (C&G)
  • Expenses should only be associated with the proposed budget
    • Accounts 40 through 59
• Contingencies
  • Contingencies are usually set-aside, reserves, etc.
  • Generally only transfers out, no expenses
    • General Funds (10&19), Non-restricted (23)
• Continuation
  • Account should remain at zero – determine appropriate action/account to move expenses
• Construction
  • Construction related expenses & transfers – maintenance & repairs (92)
    • Accounts 90 & 92

“Chunk” it down …
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- Sort by fiscal period, object code
- Hide or delete unnecessary rows (ex: object codes 8000-Cash, 9041 Inv Pay-Tops, 9042 Inv Pay –DV, 9050-Accr Payroll, etc)
- Add notes column to document the review
- Level of review - risk based assessment
  - Document type: Initiated (KSF eDocs, etc), Generated (bi-weekly payroll accruals, ICR, etc), Central Admin feeds (RC assessments)
  - Budgeted? Expected/Known? Specific internal policies/procedures/guidelines (ex: documented prior approval) ?
  - Source document?
  - Reconciled independently, outside of the monthly reconcilement process?
  - Approval / documentation process & controls
- Reconcile period totals to MOS
  - Total income/expense —can breakdown to object code level as needed
  - Opportunity to review budget status

**Process – detailed transactions**
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**Reconciling Notes**

- **R-OK**: Reviewed activity for propriety, no discrepancies/concerns noted
- **R-FIX**: Reviewed activity for propriety, discrepancies/concerns noted - pending resolution, see recon worksheet for detail
- **R-FIX/OK**: **Note**: change code to R-FIX/OK when resolved, retain notes in recon working doc
- **n/a**: No activity

- Provides summary documentation of reconcilement
- Assists in tracking problems / issues to ensure timely and appropriate resolution
- Provides tool for fiscal officer / management review

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**Process – Reconcilement tracking**
• You can reduce/eliminate paper by avoiding duplicate or unnecessary printing
  • Documents readily available in the system

• What do you need to keep?
  • Record Retention Requirements
    http://www.libraries.iub.edu/index.php?pageId=3147
Fixing Errors

Take the extra time upfront – to save you time in the future

Analyze errors to determine how they occurred ...
  • Internal control gap / failure?
  • Weak documentation / audit trail?
  • Approval effectiveness?
  • Training issue?

Resulting in ongoing efficiency through error reduction

A step beyond ...
Budget, Actual and Encumbrances

- Monthly Operating Statement (MOS) via Account View
- Account Balances (with Org Hierarchy) and GL Open Encumbrances
- KFS Balance Inquiries
  - Available Balances
  - Balances by Consolidation
  - Open Encumbrances

Variance Analysis
Review of Accounting Entries

- Monthly Operating Detail (MOD) via Account View
- Detail Transactions (with Org Hierarchy)
- Differentiating Document Types
  - Internal controls and approvers of routed financial e-docs
  - Review of document types/transactions outside of KFS workflow
  - Generated transactions (BW payroll accrual, ICR, etc.)
  - Central administrative feeds (RC Assessments)
- Proper Classification of Object Codes
- Revenue, Hourly Compensation, Matched Source Documentation

Detail Transactions
Reasonableness of Activity

- Year-to-Date and Year-to-Period Consolidation Queries (Account/Sub-Account, Organization, Organization Hierarchy, RC)

- Comparison of Prior Month and Prior Year
• Monthly Operating Statement (MOS)

• Saving Parameters for a Detail Transactions (with Org Hierarchy) extract

• Account Balances (with Org Hierarchy) and Open Encumbrances

• Consolidation Queries and the Prior Year Comparison Option

IUIE Examples
Support and Training

- FMS Support Form
  
  http://www.fms.indiana.edu/support/support_form.asp

- FMS IUIE Report Training

  https://fms.iu.edu/Train-prd/viewCatalog.action?area=KFS+Financials
• Would adding Fiscal Officer, Supervisor, Delegate, etc. parameters to the Detail Transaction data groups be useful?

• Focus on entry types by account classification/sub fund?

• What are the major obstacles to account reconciliation?