

University of Washington

General Ledger Account Reconciliation Policy

Responsible Office – Financial Accounting

Date Effective – July 1, 2017

PURPOSE

Reconciliation of period-end balances in the accounting system is a critical and fundamental internal control over financial reporting, and is necessary to help ensure the accuracy and reliability of data in the University's accounting system. This policy addresses the requirement for periodic reconciliation of general ledger accounts in the University's Financial Accounting System (FAS) to supporting schedules and data, and the need to understand and address in a timely manner any reconciling differences. In addition, this policy addresses the need for periodic attestation of compliance.

SCOPE

This policy applies to all University departments that have responsibility for reconciling general ledger balances in FAS.

DEFINITIONS

- FAS - The University's Financial Accounting System.
- Quarterly - June 30th, September 30th, December 31st, March 31st
- Fund – Accounting entity in FAS representing a self-balancing set of accounts, including cash and other assets, liabilities and residual balances.
- General Ledger - Account codes in FAS beginning with 00XXXX that are a component of the balances reflected in the University's audited Statement of Net Position ("Balance Sheet"). Each general ledger code in FAS (in some cases specific to a particular fund) is assigned to a department or business unit at the UW for reconciliation.
- Reconciliation – The process of validating that general ledger balances in FAS are accurate and in agreement with supporting detail (including evidence of preparation and review by separate people).

- Reconciling Items – Specifically identified differences between the FAS general ledger balance and supporting detail/data. The differences are clearly identified and described along with a plan to appropriately resolve those differences over the next 90 days to ensure they are not carried forward from quarter to quarter.
- Supporting detail – Includes reports from sub-ledgers such as payroll or benefits, and other supporting data or schedules sourced from outside of the accounting system. For example, bank account supporting detail would include externally prepared bank statements. Reports from FAS are generally not considered appropriate supporting detail for purposes of general ledger reconciliation.

POLICY

a. General

1. All general ledger accounts must be reconciled to appropriate supporting detail.
2. Reconciliations are to be performed at least quarterly. General ledger accounts representing cash balances or bank deposits are to be performed monthly.
3. Reconciliations are to be performed within 45 days of the “as of” date being reconciled (e.g., by August 15 for FAS balances as of June 30).
4. Each general ledger reconciliation shall be reviewed and approved by someone other than the person preparing the reconciliation. The reviewer must have the appropriate technical skills and familiarity with the data and processes underlying the reconciliation in order to understand the data and reconciling items, and detect any possible errors.
5. Reconciling differences between FAS and the supporting detail and data must be cleared, corrected or written-off no later than 90 days from origination.

b. Reporting to Financial Accounting

1. General ledger account reconciliations must be documented using the standard University reconciliation template provided and maintained by Financial Accounting.
2. Documentation is to be maintained for all reconciling items:
 - i. Nature of the reconciling item

- ii. Date the item first became a reconciling difference (in order to support tracking by “age”, e.g., 0-30, 30-60, 60-90, 90+ days).
3. Every quarter, completed reconciliation templates are to be sent to Financial Accounting, including information on the number and dollar amount of reconciling items in each aging category.
 - a. If applicable, a mitigation plan for areas of noncompliance with this policy should be drafted and sent to Financial Accounting during the quarter of noncompliance (e.g., for general ledger reconciliations not performed within 45 days, reconciling items aged greater than 90 days, etc.)
4. A quarterly summary of compliance with this policy will be prepared by Financial Accounting and presented to the Associate Vice President/Controller, showing results for each University department.

c. Write-offs

1. At times it may be necessary to write-off all or a portion of a general ledger account balance once further reasonable efforts to clear, resolve or correct the item prove to no longer be justified. Writing off balances should only be needed on rare occasions, and should be done only as a last resort.
2. Justification for the write-off should be clearly documented, with evidence of review and approval. Any write-off over \$10,000 must be approved by the Associate Vice President/ Controller.
3. Write-offs need to be recorded to a budget which is owned by department responsible for the general ledger account being impacted. Requests to use a different budget should be directed to Financial Accounting and may require approval by the Office of Planning and Budgeting.