

# General Ledger Account Reconciliation

## ROWAN UNIVERSITY POLICY

**Title:** *General Ledger Account Reconciliation*

**Subject:** *Accounting Services*

**Policy No:** *FIN: 2015:06*

**Applies:** *University Wide*

**Issuing Authority:** *President*

**Responsible Officer:** *Senior Vice President for Finance and CFO*

**Adopted:** *10/03/16*

**Last Revision:** *11/12/2018*

**Last Reviewed:** *11/20/2020*

### I. PURPOSE

This policy governs reconciling, verifying, and substantiating financial information used by University personnel for decision-making.

### II. ACCOUNTABILITY

Under the direction of the President, the Senior Vice President for Finance and CFO shall implement this policy and the Assistant Vice President for Finance and Controller shall ensure compliance with the policy.

### III. APPLICABILITY

It is the responsibility of every faculty, staff member, student organization that is involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls.

### IV. DEFINITIONS

1. *Analysis* – is the process of evaluating and interpreting financial information, which includes breaking the information as a whole down into various parts to determine the makeup of the parts.
2. *Balance Sheet Account* - an account in the University's general ledger that records and summarizes financial transactions representing assets and liabilities. Assets represent economic resources that benefit future accounting periods such as accounts receivable and investments, while liabilities represent external obligations of the University, such as bonds and leases payable.
3. *Comparison* – is the process of examining financial information for similarities or differences.
4. *Compliance Risk* - is in general, the exposure to legal penalties, financial forfeiture and material loss the University would face if it fails to act in accordance with federal and state laws and regulations or internal policies.
5. *General Ledger* - the official financial system used to record, summarize and report financial data for Rowan University.
6. *Materiality* – in general, is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users.

7. *Reconciliation* - the process of comparing information that exists in two systems or locations, analyzing differences and making corrections so that the information is accurate, complete and consistent in either systems or locations. For financial reporting purposes, the process includes comparing the local unit's record of financial information to the general ledger.
8. *Review and Verification* - a review is the process of examining financial information at a high level for accuracy and reasonableness. If determined to appear inaccurate or unreasonable, further investigation is needed. Verification is the further investigation at a lower level (chart string, individual employee, voucher information, etc.) to review the transaction that may be inaccurate.

## V. POLICY

1. The general ledger of accounts aggregates all of the transactions recorded for the University and the reconciliation, verification and substantiation of the accounts are essential for an effective internal control environment to ensure:
  - a. Accumulated general ledger account balances are substantiated by supporting detail records;
  - b. The accuracy and completeness of individual transactions that have been posted to the general ledger;
  - c. Fraud, theft, compliance violations and other irregularities are quickly detected and reported to the appropriate authorities.
  - d. The information transmitted to, contained in, and reported from the University's financial systems is accurate, complete and recorded in a timely manner;
  - e. The information can be relied upon for making financial and administrative decisions;
  - f. An efficient and effective audit process.
2. The Assistant Vice President for Finance and Controller will maintain a master list of balance sheet account assignments. This list shows the unit and person responsible for completing individual account analysis on a periodic basis, where the supporting files are located and the period through which the accounts have been reviewed. As new accounts are set up, the Assistant Vice President for Finance and Controller will assign an individual to complete the related periodic analysis.
3. Accounting Services will perform regular and timely reconciliations of balance sheet accounts and monitor the reconciliation processes performed by other University departments (if assigned) that have primary responsibility for reconciling accounts to ensure they are completed regularly, timely, consistently and all reconciling items are corrected timely.
4. Departments will review financial data and information relevant to their operating activities for accuracy and completeness, perform regular and timely reconciliations of balance sheet accounts as assigned by Accounting Services, and investigate and correct inaccuracies, discrepancies, or errors timely.
5. Departments must:
  - a. Review financial information on a regular and timely basis;
  - b. Use reports to verify revenue and expenditure transactions, payroll transactions, and other financial transactions for accuracy and completeness; and,
  - c. Reconcile balance sheet accounts periodically by having a preparer complete the reconciliation and approver review it to ensure the transactions have been reconciled and are appropriate for the account.
6. Departments must assign accountability to departmental employees and procedures must be in place in each department.
  - a. Departments are responsible for investigating and correcting any inaccuracies or incomplete financial information identified during the reconciliation or verification process in a timely manner.
  - b. Departments must consider materiality, compliance risk, transaction detail volume, knowledge and experience of personnel performing analyses, in the design and implementation of account reconciliations and the subsequent review process.