

General Instructions Balance Sheet Reconciliations

January 2013

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A. Overview

This document outlines the requirements for reconciliation of balance sheet accounts. Balance sheet accounts will be subject to regular review and reconciliation. Reconciliations will be required to contain specific details, supporting documentation, analysis and planned corrective action. For some balance sheet accounts, Department based Reviewers will review the completed reconciliations monthly. Designated staff in the Financial Reporting team will be receiving and reviewing all balance sheet reconciliations to ensure that reconciliation procedures are being applied consistently, and that errors are being corrected in a timely manner.

1) Purpose:

Effective management of balance sheet account reconciliation activities greatly increases the University's ability to proactively identify and resolve issues that could result in misstatements of its financial records and lead to substantial write-offs. The University must have a clear understanding of and be able to explain what has been recorded within its balance sheet accounts. We must be able to state with certainty that the amounts recorded have been reviewed and are in fact legitimate, collectible or payable amounts.

2) Scope:

All balance sheet accounts (accounts numbered 1XXXX, 2XXXX, and 3XXXX) are subject to these requirements for review and reconciliation. Accounts that are generally used in day to day operations (accounts numbered 1XXXX and 2XXXX) are subject to monthly reconciliation, and those accounts that are generally used for limited use and purpose (accounts numbered 3XXXX) will remain subject to annual reconciliation, but must be reviewed monthly for erroneous charges.

3) Balance Sheet Account Reconciliation Role Definitions:

Balance Sheet Account Reconciliation Preparers are required to:

- ◆ perform balance sheet reconciliations as the assigned "Preparer" on the ***Account Reconciliation List 2013*** for accounts which have a balance at period end,
- ◆ obtain the necessary detailed transactions for the account, complete and submit the reconciliation by the scheduled due date; investigate and correct reconciling items to ensure that the balance sheet account contains only legitimate, collectible or payable amounts, and
- ◆ detect all errors or omissions when reconciling, and that these are corrected (either in the sub-system or by manual journal entry, as appropriate) in a timely manner. Generally, correction is expected to occur during the month that errors are detected, i.e. in the month when the reconciliation is completed.
- ◆ Review the account transactions monthly for those accounts that are only reconciled annually, and take corrective action in a timely manner where errors are detected.

Balance Sheet Account Reconciliation Reviewers – For some accounts which support specific business units and processes there will be a Department based Reviewer.

Department based Reviewers are required to:

- ◆ ensure that the individuals names as “Preparers” on the ***Account Reconciliation List 2013*** have the required access to PeopleSoft queries and data, and have the skills necessary to complete the reconciliations,
- ◆ review the completed balance sheet reconciliations as received by their “Preparers” on the ***Account Reconciliation List 2013***,
- ◆ ensure that the items in the Details of Accounts section are appropriate,
- ◆ ensure that all Reconciling Item(s) are investigated and corrected (either in the sub-system or by manual journal entry, as appropriate) in a timely manner, and
- ◆ initiate investigation into Reconciling Item(s) which appear to be caused by their sub-module processes and/or incorrect business processes so that the underlying cause of these errors can be corrected.

Financial Reporting Reviewers are required to:

- ◆ provide all Preparers with a monthly reminder email on Business Day 6 to advise them that they can begin their assigned reconciliations,
- ◆ receive and review all assigned balance sheet reconciliations,
- ◆ confirm that reconciliations have been completed in accordance with these instructions and procedures, including review by a Department based Reviewer (only where appropriate),
- ◆ ensure that Reconciling Items are being corrected in a timely manner,
- ◆ follow up in a timely manner with Preparers or Department based Reviewers, as appropriate, if assigned reconciliations are not received by the scheduled due date or in accordance with these requirements, and
- ◆ ensure that only complete and accurate Balance Sheet Account Reconciliations are stored centrally on the network and made available to auditors and other reporting staff.

Analysts are required to:

- ◆ provide assistance with regards to appropriate use of balance sheet accounts and with resolving complex issues or corrections,
- ◆ ensure that all balance sheet account categories (i.e. Accounts Receivable, Short Term Liabilities, Prepaids, etc.) do not contain material misstatements, and
- ◆ at fiscal year end prepare leadsheets and variance explanations (year over year) for assigned balance sheet accounts, and respond to inquiries from Auditors regarding unusual balances or variances.

B. General Instructions and Procedures for Balance Sheet Account Reconciliations:

Balance sheet accounts are used to record assets, liabilities and equity and their account balances roll forward from fiscal year to year. Unlike Income Statement accounts (revenue and expense accounts), errors made in balance sheet accounts will remain until corrected.

Therefore, balance sheet account reconciliations are a continuous explanation of activities that have occurred in an account. An account is reconciled when all differences have been identified (regardless of age), proper accounting treatment ascertained and corrective action is listed in the reconciliation including when corrections will take place, usually in the following month.

Items must not be allowed to remain in a balance sheet account indefinitely. In general, one month would be considered an appropriate length of time for an accounts receivable, short term liability or a clearing account transaction. Prepaid amounts and deferred revenue amounts must be cleared to the appropriate general ledger account in the period in which the revenue or expenditure belongs. Reconciling items identified as errors must be cleared as soon as possible, generally, this is expected to be in the month following detection.

Note that additional back-up may be required by Financial Reporting or internal and external auditors. Departments must ensure all backup such as purchase orders, receipts, properly executed contracts or other documentation is retained and readily available when requested.

1) General and Routing Instructions and Deadlines

- ◆ The Preparer of each balance sheet account reconciliation is as per the ***Account Reconciliation List 2013*** posted on the Finance website under Month/Quarter End Procedures.
- ◆ Most balance sheet account reconciliations are required monthly to ensure that errors and omissions are detected and corrected in a timely manner. See the ***Account Reconciliation List 2013*** document for the required reconciliation frequency for each account.
- ◆ Reconciliations are to be performed at month-end and only after the period has been closed. As the monthly schedule allows for processing and approval of journal entries up to the end of Business Day 5, reconciliations can commence on Business Day 6.
- ◆ The Excel Balance Sheet Account Reconciliation template is to be used for all reconciliations, and each account is to have its own reconciliation.
- ◆ Balance Sheet Reconciliations must conform to the naming convention: "Account Number, Department/Faculty Name (only if applicable, where accounts are used by multiple units) and MMMYYYY",
 - i.e. "21370Mar2012.xlsx" or "20190QatarMar2012.xlsx"
- ◆ Balance Sheet Reconciliations are due on Business Day 12 during the fiscal year, and Business Day 7 at fiscal year-end (note year-end deadlines will be confirmed annually).
- ◆ Where the account has a Department based Reviewer, the Preparer will forward (by an attachment to an email) the completed reconciliation to their Reviewer, and once reviewed, the Department based Reviewer will then forward it to acctrecs@ucalgary.ca by the scheduled due date.
- ◆ Where the account does not have a Department based Reviewer, the Preparer will forward (by an attachment to an email) the completed reconciliation directly to Financial Reporting at acctrecs@ucalgary.ca by the scheduled due date.
- ◆ The individual listed as the "Contact Person" on the ***Account Reconciliation List 2013*** will be either a Finance Partner, financial representative, or a Department based

Manager, and these individuals can be contacted for assistance with issues related to the department's use of the account.

- ◆ Should you require assistance in following these instructions, or those contained in the Balance Sheet Reconciliation Template, or guidance around how to correct Reconciling Item(s), please contact Financial Reporting at 210-6533 or acctrecs@ucalgary.ca.

2) Balance Sheet Account Reconciliation – Required information:

Please refer to the Sample Balance Sheet Account Reconciliation in Appendix B:

- ◆ Balance sheet account number, name, and Faculty/Department Name (if applicable)
- ◆ Month-End Date of reconciliation
- ◆ Preparer's name and email address
- ◆ Department based Reviewer's name and email address (if applicable)
- ◆ Purpose of the account
- ◆ A PeopleSoft General Ledger balance from the current reconciliation period end
- ◆ Sufficient supporting backup of account balance so that the reconciliation can be reviewed by Reviewers and auditors
- ◆ Corrective action including dates for Reconciling Item(s)

3) Balance Sheet Account Reconciliation Procedures:

- ◆ Use the ***Balance Sheet Reconciliation Template*** provided on the Financial Services website for the first reconciliation for each account. This Excel template includes all the required fields, and also contains detailed instructions for obtaining the data necessary to complete the reconciliation. Subsequent reconciliations will be prepared by creating a copy of the previous month's reconciliation to ensure continuity. Please refer to the sample Balance Sheet Account Reconciliation in Appendix B.
- ◆ All reconciliations must balance to the PeopleSoft General Ledger account balance.
- ◆ Sub-module report balances will be obtained from the sub-module report for the current month. If the account does not have a sub-module, this line is skipped.
- ◆ Non sub-module accounts reconciliations are based on the detailed transaction activity in the account for the current period, in addition to the outstanding items from the prior period.
 - ❖ Run the detailed transaction listing for the current period and copy the transactions onto the Current Outstanding Items sheet of the reconciliation spreadsheet. Use the Public PeopleSoft Query UC_GL_JRNL_BY_ACCT_SRC_PUB, for a transaction listing. This report will include all Business Units, so you must filter out non UCALG transactions. As this report does not provide sufficient details from sub-module transactions, alternatively you may use a Cognos query to create to obtain additional data fields.
 - ❖ Identify items that match (offset) with previous entries, and total to zero. Cut and paste these transactions to the Cleared Items tab (this tab may be cleared at the start of each fiscal year) so that only current outstanding items remain.
 - ❖ Where appropriate, use a Pivot table to provide groupings of transactions, taking care to ensure that sufficient relevant information is still included so proper analysis can be done (i.e. date, category of transactions).

- ❖ If a Pivot is being used, revise amounts (groupings, etc) to reflect changes during the current period and update the Details of Account area of the reconciliation.
- ❖ Ensure that only appropriate items are recorded in the Details of Account, all other items which require corrective action must be listed in the Reconciling Item(s) area. The Details of Account area needs to have sufficient details of the transactions or grouped balances to make it clear that these are appropriate items or grouped balances for the account.
- ❖ If the sum of the Sub-Module Report Balance and/or the Details of Account do not balance to the PeopleSoft General Ledger Balance, the remaining transactions must be identified under Reconciling Item(s).
- ❖ Investigate and take corrective action to clear all Reconciling Item(s), either through a sub-module correction or by manual journal entry, as appropriate, by the next month end.
- ❖ The Unreconciled Balance must equal to zero.
- ◆ More detailed information and procedures are included in the Balance Sheet Reconciliation Excel Template document (link is below).
- ◆ Forward the completed reconciliation to the assigned Department based Reviewer (if applicable), or to Financial Reporting at acctrecs@ucalgary.ca.

4) Contact Information and Document Links:

For assistance with these requirements or procedures	Email acctrecs@ucalgary.ca Telephone 403-210-6533
Balance Sheet Account Reconciliation Requirements January 2013	http://www.ucalgary.ca/finance/documentation under Month/Quarter End Procedures
Account Reconciliation List 2013	http://www.ucalgary.ca/finance/documentation under Month/Quarter End Procedures
Balance Sheet Reconciliation Excel Template	http://www.ucalgary.ca/finance/documentation under Month/Quarter End Procedures
Balance Sheet Reconciliation Excel Sample	http://www.ucalgary.ca/finance/documentation under Month/Quarter End Procedures
Financial Reporting Contact List	http://www.ucalgary.ca/finance/reporting

Appendix A

Guidelines for Different Types of Balance Sheet Accounts

<u>Account Type</u>	<u>Guidelines</u>
All Balance Sheet Accounts	<ol style="list-style-type: none">1. For accounts controlled by a sub-module, the sub-module report must be provided as supporting documentation and must be linked to the Sub-module Report Balance on the Reconciliation. Sub-module reports must contain the month-end date, names of individuals or corporations, invoice or reference numbers, amount of transaction and sub-module report totals.2. For accounts without a sub-module, the Details of Account must provide full transactions details, ie. corporate or individual names, date of transactions, amount, invoice or reference number, and a description of the nature of the item. Where there are multiple transactions sharing one specific description such as "XYZ Conference", these may be grouped as one item within the reconciliation. Full details of all transactions within this grouping must still be available on the reconciliation and linked to the grouped total.3. In any one account, if there are amounts due to or from the same corporation or individual, such amounts must be shown separately.
Cash	<ol style="list-style-type: none">1. Cash accounts are assets, and are usually positive (debit) amounts2. General cash floats must be itemized by custodian name, department and amount held.3. Amounts recorded in clearing accounts must be itemized by source of funds, individual amounts and the anticipated date that the amount will be cleared.
Accounts Receivable	<ol style="list-style-type: none">1. Accounts Receivable accounts are assets, and are usually positive (debit) amounts.2. Accounts Receivable amounts are those due from corporations or individuals.3. For accounts receivable transactions, either the sub-module report is required, or the Details of Account must provide full transaction details, ie. corporate or individual names, date of transactions, amount, invoice or reference number, and a description of the goods or services related to the amount receivable.
Prepays	<ol style="list-style-type: none">1. Prepaid accounts are assets, and are usually positive (debit) amounts2. Prepaid transactions are amounts paid in advance for goods and services to be received in future. Examples are airfare paid in advance of travel, insurance, subscriptions,

	<p>conferences, service contracts.</p> <ol style="list-style-type: none"> 3. The prepaid item must be recognized as an expense (and removed from prepaid) in the period in which the goods or services are received. 4. For prepaid transactions, the Details of Account must provide full transaction details, ie. corporate or individual names, date of transactions, amount, invoice or reference number, and a description of the prepaid goods or services, and the period that the goods or services will be received by the University.
Inventory	<ol style="list-style-type: none"> 1. Inventory accounts are assets, and are usually positive (debit) amounts. 2. Inventoried items are goods held for future sale. 3. For inventories, the Details of Account must provide an itemized list which includes the inventory category of items, the year end valuations per certificates, inventory valuation method, and general ledger balance per category. Discrepancies must be explained.
Short Term Liabilities	<ol style="list-style-type: none"> 1. Short Term Liability accounts are liabilities, and are usually negative (credit) amounts. 2. Short term liabilities are amounts owed to a corporation or individual, to be paid, or refunded in the case of deposits, at a future date. 3. For short term liabilities, either the sub-module report is required, or the Details of Account must provide full transaction details, ie. corporate or individual names, date of transactions, amount, invoice or reference number, and a description of the amounts payable, and the period that the goods or services will be paid by the University.
Deferred Revenue	<ol style="list-style-type: none"> 1. Deferred revenue accounts are liabilities, and are usually negative (credit) amounts. 2. Deferred revenue represents revenues received but not yet earned. 3. For deferred revenue transactions, the Details of Account must provide full transaction details, ie. corporate or individual names, date of transactions, amount, invoice or reference number, and a description of the type of revenue being deferred, and the future period to which the revenue relates.

Appendix B

Sample "Balance Sheet Account Reconciliation" Template

Balance Sheet Account Reconciliation

20190 ST Liabilities – Operating Accruals for Faculty of Medicine
December 31, 2012

Preparer:		Prepared date:		Email:	
Dept based					
Reviewer:	(if applicable only)	Review date:		Email:	
Financial Reporting					
Reviewer:	Financial Reporting	Review date:		Email:	acctrecs@ucalgary.ca

Purpose of this account:

To record short term operating accruals for all departments.

People Soft General Ledger Balance:

Sub-module Report Balance:

Details of account (If account does not have a Sub-module Report):

Date	Journal ID	Transaction description	Amt CAD

Total Sub-module Report or details of account:

Difference between general ledger and sub-module or account details:

Reconciling Item(s):

Description	Proposed corrective action	Date to be processed

Total of Reconciling Items:

Unreconciled Balance (MUST BE ZERO)

\$

Yellow highlighted cells: all must be filled in.

Blue highlighted cells: some have to be filled in (refer to instructions).

Red highlighted cells: to be filled in with any reconciling items

Appendix C

Sample "Account Reconciliation List 2013"

Account	Account Description	Frequency	Date Required *	Preparer	Reviewer	Contact Person	Analyst
10005	STInv - Money Mkt - Int Mgmt	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10010	STInv - Money Mkt - Ext Mgmt	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10015	STInv - RBC - PIA	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10020	USD MMRR	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10099	STInv - Institutional Adjust	Annually	Business Day 7*	Barb Romman	Financial Reporting	Barb Romman	Barb Romman
10105	Cash - Petty Cash Imprest	Monthly	Business Day 12	Anne-Marie MacDonell	Financial Reporting	Elaine West	Elaine West
10106	Cash - Petty Cash - UC-Q	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10107	Cash Ordering	Monthly	Business Day 12	Brent Beatty	Financial Reporting	Elaine West	Elaine West
10110	Cash - Lottery Fund - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10115	Cash - Fees Stud Loans - RBC #106-482	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10125	Cash - Main Deposit - RBC #106-929-3	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10135	Cash - US Deposit - RBC #401-590-5	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10148	Cash Control - PS Conversn	Monthly	Business Day 12	Elaine West	Financial Reporting	Elaine West	Elaine West
10165	Cash - Dept Cash Clearing	Monthly	Business Day 12	Danielle Whyte	Financial Reporting	Elaine West	Elaine West
10170	Cash - Donated Shares - RBC	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10175	Cash - PH&N - Royal Trust	Annually	Business Day 7*	Donna Mueller	Financial Reporting	Donna Mueller	Barb Romman
10180	Cash - A/P DA - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10181	Cash - A/P Wires	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10185	Cash - US Cheques - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10190	Cash - A/P PDS - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10195	Cash - Payroll DA - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10205	Cash - Payroll Deposit - RBC	Monthly	Business Day 12	Dragica Kazic	Denise Kerleroux	Denise Kerleroux	Denise Kerleroux
10215	Qatar Bank - Operating (Riyal)	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10220	Qatar Bank-Student Fees(Riyal)	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10225	Qatar Bank - Cdn account	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10229	Qatar Bank Student Fees CONTRA	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10230	Qatar Bank US Cheques	Monthly	Business Day 12	Aaron Lowe	Financial Reporting	Jacqueline King	Barb Romman
10999	Cash - Instit Adjustments	Monthly	Business Day 12	Barb Romman	Financial Reporting	Barb Romman	Barb Romman