

# USM Accounting Practice

## **Reconciliation of detail records and balances to control totals**

### **General**

This accounting practice establishes minimum requirements for ensuring the accuracy and completeness of accounting information that summarizes or relates to subsidiary ledgers, separate detailed records, or activity that is processed through or with other organizations or entities.

Institutions will be expected to assert, for each set of annual audited and interim financial statements prepared, that the reconciliation processes required are in place and up to date, and note any exceptions.

A **'reconciliation'** is an analysis and detail of the difference(s) between a subsidiary ledger, a listing of detailed balances, or a separate or independent source of information, and the control balance reflected in the general ledger. Reconciliation implies that all the activity reflected in each source (subsidiary ledger and general ledger balance, for example) is known, identified, and tracked for eventual and appropriate resolution.

### **Required minimum standards**

For each of the following balances and activities or processes:

- Cash held at the State Treasurer
- Cash held in working fund accounts
- Student accounts receivable
- Contract and grants receivables
- Third-party receivables
- Notes receivable
- Clearing accounts
- Deposit and one-card balances
- Deferred revenue associated with sponsored programs

a monthly (preferred) or at a minimum, quarterly, reconciliation must be completed that identifies and documents the items reflected in either the detail records, or the summary balance(s), but not the other.

A complete and minimally acceptable reconciliation will specifically identify each of the items or transactions that represent the difference between the subsidiary ledger, detail of balances, or independent information source, and the general ledger balance(s).

The reconciliation needs to be reviewed by someone independent of the reconciliation process. Entries or adjustments that need to be reflected in one or the other information source should be reviewed and approved by someone independent of the reconciliation process.

Documentation, or references to underlying documentation, should be included for each reconciling item.

Management discretion may be exercised in resolving stable (meaning that the same difference or unidentified amount recurs in several consecutive reconciliations) and small unidentified differences. Institutions are encouraged to adopt a standard or threshold for writing off unidentifiable differences when they arise or occur, so that management discretion not be used as a standard vehicle for minimizing the level of effort applied to what should normally be a routine and fundamental accounting process.