

<b>System-wide Policy:</b>	
<b>FI0115 - Reconciling and Reviewing Departmental Ledgers</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

## FI0115 – Reconciling and Reviewing Departmental Ledgers

### Topics:

<a href="#">Definitions</a>	<a href="#">Separation of Duties</a>
<a href="#">Reconciling Departmental Ledgers</a>	<a href="#">Procedures</a>
<a href="#">Reviewing and Approving Departmental Ledgers</a>	

### Objective:

To establish fiscal responsibility for reconciling and reviewing University funds.

### Policy:

#### Definitions

1. Reconciler: An individual who is delegated the responsibility to reconcile the ledgers. Reconcilers may be exempt or non-exempt employees.
2. Approver: The approver acknowledges and documents that ledgers have been reconciled properly. Normally, a department head, dean, or director serves as the approver. The department head, dean, or director may delegate this responsibility to another authorized approver as defined by [FI0150 - Approvals](#). The approver may also serve as the reconciler. Principal Investigators must review and approve their own ledgers. Non-exempt employees must not serve in this role.

#### Reconciling Departmental Ledgers

3. A formal reconciliation of the accounting records must be performed monthly. The reconciliation should be performed timely, normally no more than 45 calendar days after the month closes. When the number of ledgers and/or staffing issues prevent the timely completion of reconciliations on a regular basis, an exception to allow a longer time frame to complete reconciliations may be granted. The exception must be in writing, include the justification and expiration date, and be approved by the university's chief financial officer and campus/institute chief business officer.

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A reconciliation of the ledger consists of the following process:

- Validate the accuracy of the ledger by comparing supporting documentation to transactions posted on the department ledger.
  - Ensure that any transactions appearing on the ledgers which are not supported by the department's records are accurate and authorized.
  - Verify the sponsor award amount and budget for sponsored projects. Also, note the end date and ensure that charges occurred within the project period. Additional information on sponsored projects is included at [FI0205 - Sponsored Projects](#).
  - Ensure that appropriate measures are taken to correct errors from prior months' postings.
4. The reconciler must initial and date the ledger to indicate the reconciliation was performed and the ledger is ready for review and approval.

### **Reviewing and Approving Departmental Ledgers**

5. The approver should carefully review departmental cost centers/WBS elements or receivables to ensure all financial transactions are appropriate, accurately described, and properly recorded. This review also provides management with information about the status of budgets under their control and an opportunity to address the risk of overcommitted funds.
6. The university's accounting system (IRIS) produces monthly ledger reports for every departmental fund which includes a comparison of current budget to fiscal year-to-date revenues, expenditures, and commitments. Approvers should consider the following questions during their review of fund balances.
- According to the department's budget, has a cost center or WBS element been overspent? If so, why?
  - Do the transactions appear appropriate for departmental or university business?
  - Are there any suspicious-looking transactions?
  - Does it appear the ledgers have been reconciled?
  - Has the reconciler explained any unrecognized transactions?
7. Approval of the ledger acknowledges that a proper reconciliation and review of funds has been performed and that there were no unauthorized transactions. Approvals must be completed no longer than 30 days after the ledgers are reconciled. Approvals are to be documented using one of the following methods:
- An initialed and dated hard copy of the ledgers.

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- A sign-off form, including date and title, attached to the ledgers.
- An electronic log for ledgers with no activity.

Exceptions to these methods of approval documentation, including electronic approvals, must be approved by the campus/institute chief business officer or designee.

### **Separation of Duties**

8. Although a monthly reconciliation of the department's ledgers is an excellent control, the oversight and control value of the reconciliation is greatly diminished when performed by the same employee who has responsibility for handling money received and/or processing invoices. Examples of properly separating these duties are provided below.
  - An employee who has no responsibility for handling money received should, whenever possible, reconcile the department's receipt book or receipting system to the deposit document printed from IRIS (or completed Form T-33) and ultimately to the departmental ledgers each month. The reconciliation should include verification that transactions written from receipt books or the receipting system were credited correctly to the ledgers.
  - An employee who has no responsibility for requisitioning, receiving, or entering invoices to IRIS should, whenever possible, reconcile the department's accounts payable documentation (such as invoices, internal transfers) to the departmental ledgers each month.

### **PROCEDURES:**

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

### **FOR MORE INFORMATION:**

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**Related Policies:** [FI0120 - Records Management](#), [FI0310 - Receiving and Depositing Money](#) [FI0505 - Accounts Payable](#), [FI0930 - Payroll](#)