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Asset & Liability Reconciliation: Overview

This document outlines the requirements for the reconciliation of asset and liability purpose codes. Asset and liability purpose codes will be subject to regular review and reconciliation. Reconciliations will be required to contain specific details, supporting documentation, analysis, and planned corrective action, if applicable. All reconciliations must include what the balance in each purpose code or group of purpose codes represent, not just a listing of transactions. All reconciliations will require departmental approval. Designated staff in the Controller’s Office will be receiving and reviewing all reconciliations to ensure that reconciliation procedures are being applied consistently, and that errors are being corrected in a timely manner.

Purpose

Effective management of asset and liability reconciliations 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 purposes. We must be able to state with certainty that the amounts recorded have been reviewed and are in fact legitimate collectible or payable amounts.

Scope

All asset and liability purpose codes (purposes numbered Axxxxx and Lxxxxx) are subject to these requirements.

Role Definitions

Reconcilers:

- Perform reconciliations as the assigned Reconciler on the Master List of Purpose Reconciliations for purposes which have a balance at period end or activity within the period ended.

- Obtain the necessary detailed transactions for the purpose, complete and submit the reconciliation by the scheduled due date, investigate and correct reconciling items to ensure that the purpose contains only legitimate collectible or payable amounts.

- Detect all errors or omissions when reconciling and ensure 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 following month when the reconciliation is completed.

- Review the purpose transactions monthly for those purposes that are only reconciled quarterly and take corrective action in a timely manner when errors are detected.

**Department Approvers:**
- Ensure that the individuals named as Reconcilers on the Master List of Purpose Reconciliations have the required access to PeopleSoft queries and data and have the skills necessary to complete the reconciliations.
- Review the completed reconciliations upon submission by the Reconciler.
- Communicate changes in Approvers or Reconcilers to the Controller’s Office via email assetliabilityrec@udel.edu as soon as possible.
- Make sure support is appropriate to substantiate the balance. The balance should represent all items remaining in the general ledger and should belong in that purpose. If not, 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.
- Initiate investigation into reconciling item(s), which appear to be caused by sub-system processes and/or incorrect business processes, so that the underlying cause of these errors can be corrected.

**Final Approvers:**
- Receive and review all assigned reconciliations submitted through PeopleSoft.
- Confirm that reconciliations have been completed in accordance with these instructions and procedures, including review by the Department Approver.
- Ensure that reconciling items are being corrected in a timely manner.
- Follow up in a timely manner with Reconcilers or Department Approvers, as appropriate, if assigned reconciliations are not received by the scheduled due date or in accordance with these requirements.
• Ensure that only complete and accurate reconciliations are stored centrally on the network and made available to auditors and other members of the Controller’s Office.

Asset & Liability Reconciliation: General Instructions and Procedures

Balance sheet purposes are used to record assets and liabilities. Their purpose balances roll forward at the end of a fiscal year. Errors need to be corrected or they will remain in the balance until they are corrected.

Therefore, balance sheet purpose reconciliations are a continuous explanation of activities that have occurred in a purpose. A purpose is reconciled when all differences have been identified, regardless of age, and corrective action is listed in the reconciliation including when corrections will take place, usually in the following month.

In general, one month would be considered an appropriate length of time for a reconciling item to be corrected.

Departments must ensure all backup such as purchase orders, receipts, properly executed contracts or other documentation necessary to support a reconciliation be attached whenever possible or referenced and readily available for review by an auditor or the Controller’s Office.

General Instructions and Deadlines

• The Reconciler of each asset and liability purpose code is posted on the VP Finance website under Master List of Purpose Reconciliations.

• Reconciliations are required monthly or quarterly to ensure that errors and omissions are detected and corrected in a timely manner. See the Master List of Purpose Reconciliations document for the required reconciliation frequency for each purpose code. Some purposes are currently only reconciled annually. However, the activity in that purpose should be reviewed for potential errors on a quarterly basis. The frequency on these reconciliations is listed as quarterly.

• Reconciliations are to be prepared at month-end after the period has been closed.

• The reconciliation must be completed and reviewed within 30 days of when the reconciliation is generated.
• The Reconciliation Template example is to be used for all reconciliations and each purpose is to have its own reconciliation, unless the purpose is part of a group.

• The Reconciler will be notified by a PeopleSoft generated email when reconciliations are available to be completed. The Department Approver will be notified by a PeopleSoft generated email when reconciliations are available for review. The Reviewer will also have reconciliations awaiting approval shown within PeopleSoft in a tile on their homepage. The tile must be added to their home screen by the user.

• Should you require assistance in following these instructions or guidance on how to correct reconciling item(s), please contact the Controller’s Office at ext. 2175 or by email at assetliabilityrec@udel.edu.

**Required Information**

• The General Ledger balance for the current reconciliation period. This should be evidenced by a UDataGlance screenshot or a trial balance showing the general ledger balance for that purpose.

• A copy of the template summarizing the reconciliation with links to the supporting documentation.

• Sufficient supporting documentation of purpose code balances so that the Controller’s Office and auditors can review the reconciliation.

• Corrective action including dates for reconciling item(s).

**Reconciliation Procedures**

• Use the Guidelines for Different Types of Balance Sheet Purposes shown in Appendix A for assistance in completing and reviewing your reconciliation. Use the Reconciliation Template as shown in Appendix B (link provided on page 7 of this document) and provide this information as an attachment within the reconciliation in the workbench within PeopleSoft. The reconciliation procedures listed below are to be used in conjunction with the template. Use the Job Aid, whose link is provided on page 7 of this document, for step-by-step instructions for navigating the PeopleSoft module to complete and submit these reconciliations.

• If a Subsystem report, (e.g., A/R Aging, A/P Ledger), often referred to as a Sub-ledger, is used as support for purpose reconciliations, include only a summary report to limit the file attachment.
• Other purpose reconciliations are based on the detailed transaction activity in the purpose for the current period in addition to the outstanding items from the prior period.

• Where appropriate, 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).

• Identify items that match (offset) with previous entries and total to zero. These items should not be included in the supporting documentation so that only current outstanding items remain.

• Ensure that only appropriate items are recorded in the balance per Sub-ledger and the balance per General Ledger. All other items which require corrective action must be listed in the Adjustments to the Sub-ledger area or the Adjustments to the General Ledger area. The balances in the Valid Reconciling Items section need to reference sufficient details of the transactions or grouped balances to make it clear that these are appropriate items or grouped balances for the purpose.

• If the sum of the balance per Sub-ledger does not balance to the General Ledger balance, the remaining transactions must be valid reconciling items and must be identified under reconciling item(s). The resulting difference must be equal to zero.

• Investigate and take corrective action to clear all reconciling item(s), either through a subsystem correction or by manual journal entry, as appropriate, by the next month end.
### Contact Information and Document Links:

<table>
<thead>
<tr>
<th>For assistance with these requirements or procedures</th>
<th>Email</th>
<th>Telephone  Ext. 2175</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Instructions</td>
<td><a href="mailto:assetliabilityrec@udel.edu">assetliabilityrec@udel.edu</a></td>
<td></td>
</tr>
<tr>
<td>Master List of Reconciliations</td>
<td><a href="https://sites.udel.edu/vpfinance/asset-liability-reconciliations/">https://sites.udel.edu/vpfinance/asset-liability-reconciliations/</a></td>
<td></td>
</tr>
<tr>
<td>Reconciliation Template (Appendix B)</td>
<td></td>
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<tr>
<td>PeopleSoft Job Aid</td>
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</tbody>
</table>
## Appendix A: Guidelines for Different Types of Balance Sheet Purposes

<table>
<thead>
<tr>
<th>Purpose Type</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Balance Sheet Purposes</td>
<td>1. For purposes controlled by a sub-ledger, the sub-ledger report must be provided as supporting documentation. Sub-ledger reports must contain the month-end date and sub-ledger report totals. Sub-ledger reports should include names of individuals or corporations and/or invoice or reference numbers, when applicable.</td>
</tr>
</tbody>
</table>
| Cash                      | 1. Cash purposes are assets and are usually positive (debit) amounts.  
2. Amounts recorded in clearing purposes must be itemized by source of funds, individual amounts, the anticipated date that the amount will be cleared, or other notes when applicable. |
| Receivables               | 1. Receivable purposes are assets and are usually positive (debit) amounts.  
2. Receivable amounts are those due from corporations or individuals.  
3. For receivable transactions, either the sub-ledger report is required, or your supporting documentation must provide full transaction details, i.e., individual names, date of transactions, amount, invoice or reference number, and a description of the goods or services related to the amount receivable. |
| Prepaid Expenses          | 1. Prepaid expense purposes are assets and are usually positive (debit) amounts.  
2. Prepaid transactions are amounts paid in advance for goods and services to be received in future. Examples are insurance, subscriptions, and service contracts.  
3. The prepaid item must be recognized as an expense, and removed from prepaid, in the period in which the goods are received or services are rendered.  
4. For prepaid transactions, the supporting documentation must provide full transaction details, i.e., 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                          | 1. Inventory purposes are assets and are usually positive (debit) amounts.  
                                        | 2. Inventoried items are goods held for future sale.  
                                        | 3. For inventories, the supporting documentation 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. |
| Accounts Payable and Accrued Expenses | 1. Short Term Liability purposes 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-ledger report is required or the supporting documentation must provide full transaction details, i.e., 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                   | 1. Deferred revenue purposes are liabilities and are usually negative (credit) amounts.  
                                        | 2. Deferred revenue represents revenues received but not yet earned.  
                                        | 3. For deferred revenue transactions, the supporting documentation must provide full transaction details, i.e., corporate or individual names, date of transactions, amount, invoice or reference number, a description of the type of revenue being deferred, and the future period to which the revenue relates. |
Appendix B: Example of Reconciliation Template

Tab 1 of 3(+) in your spreadsheet:

![Image of Purpose Reconciliation]

- Description: To correct a misposting of contributions received, $26,705.52 was posted incorrectly against Purpose Code A2000, so this entry is removing it from that purpose code to the correct purpose code A2GCON.

- Contribution check for $50,000 in transit; reflected in subledger yet not reflected in GL since the check has not been cashed yet by the University.
Appendix B, cont.: Example of Reconciliation Template

Tab 2 of 3(+) in your spreadsheet:
Appendix B, cont.: Example of Reconciliation Template

Tab 3 of 3(+) in your spreadsheet – add additional tabs with this template as needed: