# USP Monthly Revenue Ledger Account Reconciliations

This document provides detailed information regarding the expectations and guidelines associated with the reconciliation of USP revenue ledger accounts.

University policy requires that USP revenue ledger accounts be reconciled on a monthly basis. See requirements at Procedure 1410 PR.03 *University Service Providers: Accounting and Billing*.

## *Purpose of USP Revenue Ledger Account Reconciliation*

The USP revenue ledger account reconciliation is the comparison of a revenue balance in the general ledger to another source of financial data, such as a sub-ledger or another system. The purpose of the USP revenue ledger account reconciliation is to verify the accuracy, completeness, and validity of revenue ledger accounts included in the General Ledger at a given point in time. Refer to the Procedure linked above for further details.

The difference between revenue account balances recorded in the general ledger and other sources of financial data are reconciling items. Reconciling items may be caused by timing differences, general ledger errors (e.g., manual journal entries, sub-ledgers errors) or errors in the other sources of financial data.

## *Responsibilities for and Principles of USP Revenue Ledger Account Reconciliation*

On a monthly basis, USPs are responsible for reconciling and reviewing their USP revenue balances for each revenue ledger account. Such review should be completed within 10 days of month-end close. USPs should be using approved ledger pairs only, as provided in the Accounting Guidelines for LA, Spend and Revenue Categories. The balance to be reconciled is as of the month end date and as such, considers beginning balance plus/minus activity. If, due to the nature of the account, a USP believes that an account reconciliation frequency other than monthly is appropriate, an exception must be requested from the Controller's Office, at isp@yale.edu.

The reconciliation process involves verifying that the revenue ledger account balances in the general ledger as of the month end date are:

- complete and accurate
- account activity is reasonable
- reconciling items are properly documented and resolved
- unusual activity is identified
- aged reconciling items are monitored
- account balances are supported with appropriate documentation

A USP revenue ledger account reconciliation:

- Provides the general ledger account balance
- Shows any reconciling items to get to an adjusted general ledger account balance
- Provides the balance of the sub-ledger or supporting detail
- Shows any reconciling items to get to an adjusted sub-ledger balance
- Documents all variances – known and unknown – more detail below

Please note that the "Detailed Transactions – Yale" report, "Financial Transactions – Yale" report, and other similar reports showing ledger detail do not constitute appropriate sub-ledgers or supporting detail.

## *Preparation of USP Revenue Ledger Account Reconciliation*

The recommended approach to the preparation of a USP revenue ledger account reconciliation is as follows:

1. Set-up reconciliation spreadsheet. See template which may be used.
    a. Complete COA information on Tab 1
    b. Identify financial period covered by the reconciliation
    c. Complete Tab 1 with supporting detail amounts and description
    d. Complete relevant Tabs 2 to reconcile all identified variances on Tab 1.
    e. Complete Tab 3 to document the account purpose/background, describe the mechanics of entries, identify the sources of input, as well as the timing and analysis of recording activity, and provide additional references, as necessary. This will serve as a root cause analysis.
    f. Identify the preparer and approver and dates. Signatures are deemed best practice and may be electronic.
    g. Attach any supporting documents to the reconciliation and retain with the USP's records.
2. Gather documentation to support ending USP revenue ledger account balances. Examples of supporting documentation include, but are not limited to:
    a. Journal entries
    b. Sub-ledger system reports
    c. Approval emails
    d. Supplier invoices
3. Reconcile supporting documentation to the USP revenue ledger account balance:
    a. Document reasons for any variances between supporting documentation and the USP revenue ledger account balance. These variances are called reconciling items and can be considered either known variances and/or unknown variances. It is important that the reconciliation clearly identifies the variances as known or unknown.
    b. Attach adequate documentation to support the reconciling items.
    c. Document the expected resolution date for each reconciling item.
4. Resolve current period and prior period reconciling items:
    a. Resolve current period reconciling items. Resolution may include recording or correcting transactions in a sub-ledger system or Workday. The resolution will depend on the reason for the variance. Communication and collaboration between departments may be necessary to resolve the reconciling items.
    b. Update the status of prior period reconciling items.
    c. Follow-up on aged, unresolved reconciling items as needed.
5. Correct any USP revenue ledger account activity errors that were discovered during the reconciliation process. Timely correction is important. Efforts should be made not to have corrections cross into a new fiscal year.
6. Review the reconciliation and route for approval:
    a. Verify that the reconciliation spreadsheet is complete (see Step 1).

b. Verify that all supporting documentation for ending balance and reconciliation items are attached, as necessary (see Step 2 and Step 3).

c. Sign and date the reconciliation as preparer.

d. Route the reconciliation to the approver.

7. Final Approval - Approver signs and dates the reconciliation.

*Reconciling Items and/or Variances*

An essential element of the revenue ledger account reconciliation process is the identification and resolution of variances. Variances must be quantified, aged, investigated, and explained, with correcting transactions/entries recorded in the sub-ledger, general ledger, etc. It is important to make every effort possible to not have corrections cross into a new fiscal year. Variances that can be supported with backup, that result from timing differences, general ledger errors, sub-ledger errors, or errors in other sources of financial data, etc. are known variances. Typically, these types of reconciling items will be resolved within 90 days of the month end date for which the reconciliation is performed. Variances that are either unsupported and/or cannot be resolved in a timely manner may be considered unknown. For unknown variances that remain outstanding for over 90 days that cannot be resolved please consult with the USP Rate Reviewers at isp@yale.edu.

The reconciliation should be maintained by the USP in accordance with Policy 1105: Retention of University Financial Records.

USPs are responsible for maintaining department-specific reconciliation procedures and it is recommended that USPs review these procedures on an annual basis for accuracy and validity. This includes ensuring account balance reconciliations contain adequate supporting documentation and maintaining appropriate approval and segregation of duties in accordance with Procedure 1104 PR.01 *Signature Authority, Delegation of Approval Authority and Access for Financial Transactions*. The same individual should not prepare and approve a reconciliation. Reconciliation preparation and approval should only be performed by individuals with knowledge of the account balance and an understanding of the reconciliation purpose. Reconciliation approvers are responsible for ensuring that reconciliation preparers are adequately trained and possess the skill, experience, and competence for preparing the reconciliation.

## Monitoring

The Controller’s Office and YSM Controller’s Office may conduct independent reviews of USP revenue ledger account reconciliations. It is expected that reconciliations will be completed and provided upon request, including relevant back-up support. Additionally, USPs should be prepared to provide their written reconciliation procedures upon request.

## Definitions

- Account Balance: An account balance in the general ledger which represents revenue at a point in time. The account number will begin with a “4” (external revenue) or “5” (internal revenue).
- Chart of Accounts (COA): COA is a set of segments used to classify and record financial transactions in meaningful ways. The segments provide structure for reporting and monitoring financial activity. See the COA website for details.
- Cost Center: A cost center identifies financial responsibility and management for officially acknowledged business units (departments, sections, etc.). See the COA website for details.
- General Ledger: The final repository of all financial transactions and balances (i.e., assets, liabilities, net

balance, revenue, and expenses). The general ledger is used to create the financial statements. Workday is the system that houses the general ledger.

- Ledger Account: A ledger account is the natural account that makes up the financial statements in Workday. See the COA website for details. See also “Account Balance” above.
- Reconciling Item: The variance between revenue balances recorded in the general ledger and other sources of financial data are reconciling items. Reconciling items may be caused by timing differences, general ledger errors, sub-ledger errors, or errors in other sources of financial data. If the reconciling item can be supported, it is considered a known variance. If the reconciling item cannot be supported, it is considered an unknown variance.
- Revenue: USP sales activity provided to internal or external customers, which are recorded to ledger accounts beginning with a “4” (external revenue) or “5” (internal revenue).
- Revenue Ledger Account Balance Reconciliation: A USP revenue ledger account reconciliation is the comparison of revenue account balance in the general ledger to another source of financial data, such as a statement, a sub-ledger, or another system.
- Roll-forward: Activity analysis that simply rolls transactions from one month to the next. While serving as a good analytical tool, it is not an acceptable substitute for a properly performed account reconciliation.
- Sub-ledger: USPs may be using a manual or paper sub-ledger, an excel spreadsheet, a software system to record instrument use, an accounting software program, or another type of software solution to record sales or use of services. Whatever the USP is using to capture the internal and/or external sales activity is considered a sub-ledger for purposes of the monthly reconciliation. Additionally, some USPs may have multiple subsystems given the vast types of services provided.