VANDERBILT UNIVERSITY

Balance Sheet Account Reconciliations – Policy and Procedures

Contents

1. Policy Statement

The goal of this document is to provide the governance framework for a standard and consistent balance sheet account reconciliation process across the enterprise.

2. Scope

This policy applies to all Vanderbilt staff responsible for the initiation, execution, and authorization of balance sheet account reconciliations including the processing of all associated adjusting journal entries to the general ledger. This policy serves as the single governing authority for all balance sheet account reconciliations.

3. Definitions

General Ledger – The general ledger contains all Vanderbilt financial transactions. Currently, the general ledger (system of record) is McCormick and Dodge. Information from the general ledger is used by Vanderbilt to analyze, report, and monitor the results of the business.

Balance Sheet Account Reconciliation - A balance sheet account reconciliation is the comparison of an account's general ledger balance to a subledger balance, bank or other third party statement, or additional documentation that appropriately supports the account's balance. Reconciliations may be performed daily, monthly, or quarterly based on whether an account is defined as high, medium, or low risk by the business. Typical high-risk accounts include cash, trade receivables, payables, and financing receivables. See Appendix C for a listing of accounts and their associated risk levels.

Preparer - The individual who creates the reconciliation and complies the supporting documentation. The preparer is responsible for uploading and archiving both the reconciliation and supporting documentation into the designated storage medium (generally, the BlackLine® Close Suite Software).

Approver - The individual who is responsible for reviewing the reconciliation and supporting documentation for validity, accuracy, and completeness.

Supporting Documentation (for Balance Sheet Account Reconciliations) - Supporting documentation provides details for and substantiates the general ledger account balance being reconciled. Supporting documentation should be detailed enough so that a person with no extensive knowledge of the account can review the reconciliation and understand the nature of the balance. Examples of supporting documentation include, but are not limited to, bank or other third party statements, reports from subledgers or other internal systems, calculation workpapers, and notes or commentary by the preparer/approver.

Reconciling Item - A transaction(s) or item(s) that represents a difference between the general ledger balance and the subsidiary ledger or other supporting schedule(s) balance. All reconciling items should be explained and have supporting documentation.

BlackLine® Close Suite Software - BlackLine's Financial Close Suite provides accounting and finance departments with end-to-end functionality that automates and streamlines manual, spreadsheet-driven accounting processes. Vanderbilt uses this software for performing certain balance sheet account reconciliations.

BlackLine Sheet Account Reconciliation Types - For reconciliations done in BlackLine, each reconciliation is assigned a template type that corresponds to one of the three categories below.

1. Reconciliation to third-party statement
2. Subledger reconciliations
3. Calculation analysis

Reconciliation to Third Party Statements– The reconciliation format used for general ledger accounts that consist primarily of external third-party activity. The third-party typically provides a statement that serves as supporting documentation for the general ledger balance. The corresponding template name in BlackLine for this type of reconciliation is "Bank Acct," even though the third-party may not necessarily be a bank.

Subledger Reconciliation– The reconciliation format used for general ledger accounts that consist primarily of activity contained in a subledger. A subledger is a data source that contains a sufficient level of detail to properly support the individual items/transactions that make up the balance of the general ledger account. The corresponding template name in BlackLine for this type of reconciliation is "Subledger."

Calculation Analysis – The reconciliation format used for general ledger accounts that are typically supported by workbooks using internal and/or external support schedules through the application of management estimates, calculations, and assertions. The corresponding template name in Blackline for this type of reconciliation is "Calculated."

4. Policy

    a)   Where possible, reconciliations should be performed using the BlackLine® Financial Close Suite software. If a reconciliation is done outside of BlackLine, it is referred to as a "manual" reconciliation and the reconciliation template in Appendix B should be used as the standard format then loaded into BlackLine.

    b)   All balance sheet account reconciliations are required to be signed off on by an appropriate preparer and approver. The preparer and approver cannot be the same person. Additional levels of certification (i.e. by an accounting manager, or CFO) may be required on some accounts.

c) Supporting documentation is required to be maintained with all reconciliations and should be in "electronic" format when possible (i.e. Excel, Word, pdf files). See the definition of supporting documentation in Section 3 above.

d) All reconciling items are required to be identified and have appropriate supporting documentation.

e) All reconciling items begin aging the first calendar day following month-end. Reconciling items should be categorized into the following aging groups by number of calendar days: "0-30", "31-60", "61-90", and ">90."

f) All reconciling items $\geq$ $10,000 and aged greater than 90 days must have a documented plan for resolution provided to the AVC for Finance & Controller.

g) All reconciling items, regardless of amount, and aged greater than 90 days will be reviewed by the AVC for Finance & Controller annually and a plan for resolution will be required.

5. Procedures

- Balance sheet reconciliations are conducted at the (natural) account balance level where sub-ledger, third-party statements, or similar supporting documentation is available for substantiation.

- In situations where multiple balance sheet accounts are supported by a single set of documentation, the accounts may be grouped for completion.

- For account reconciliations performed in BlackLine, supporting documentation should be loaded electronically in BlackLine.

- For account reconciliations performed manually (i.e., outside of BlackLine), the reconciliation template in Appendix must be used. Once complete, the reconciliation template must be loaded into BlackLine under the appropriate center/account level grouping and signed off on by the preparer and approver. This maintains consistency in the workflow of all reconciliations as well as consistency in keeping all reconciliations in one central location.

- The table below lists key balance sheet account reconciliation procedures and the responsible parties. Refer to the Manual General Ledger Journal Entry Policy for guidelines regarding account reconciliations resulting in the need for an adjusting journal entry.

Balance Sheet Account Reconciliation Responsibility Matrix

Activity	Preparer	Approver	Business Unit Finance	Division / Dept Finance
Ensure all transactions from the G/L and sub-ledger are entered	✓			
Identify balance sheet accounts to be reconciled and source documentation / system to reconcile against	✓			
Review the account balance from the general ledger with source documentation / system based on reconciliation type	✓			
Identify reconciling items	✓			

Approve reconciliation		✓		
Request additional support for reconciling items if necessary	✓			
Provide additional information / justification for reconciling items			✓	✓
Determine if an adjusting entry is necessary. If yes, post adjusting entry to the G/L (See Manual General Ledger Journal Entry Policy)	✓			
Add any additional comments to support the reconciliation, if necessary	✓			
Verify that G/L account balance and supporting documentation reconcile	✓	✓		
Sign-off / approve the account reconciliation per the BlackLine Approval Matrix	✓	✓		

Appendix A: Balance Sheet Account Reconciliation Process Flow

The flowchart below outlines the activities associated with the balance sheet account reconciliation process.

Close, Consolidate and Report Process
Perform Balance Sheet Reconciliations – Future State

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Vanderbilt University - Process as of 07/01/2014

Central Finance

Reviewer

- Verify that the G/L account balance and supporting documentation (subledger, third party statement, etc.) reconcile. Review reconciling items for materiality/aging per policy.
- Is there an adjusting entry? — No → Sign-off / Approve Account Reconciliation → BlackLine
- Yes → Review adjusting JE for appropriateness per policy.

Preparer

- Close G/L
- Prepare list of accounts to be reconciled and source documentation / system to reconcile against based on account type
- Enter into BlackLine
- What type of reconciliation is to be performed for this account?
  - Third-party statement reconciliation
  - Sub-ledger reconciliation
  - Calculation Analysis
- Within BlackLine, certify the reconciliation and submit to approver.
- Post JE to M&D G/L. → M&D G/L

This Process Design is intended solely for the information and internal use of Vanderbilt University and should not be used or relied upon by any other person or entity.

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lance Sheet Account Reconciliation Template

ok is to be used for all balance sheet accounts not incorporated in BlackLine. The workbook contains the reconciliation template
e tabs for providing supporting documentation, preparer notes, cleared items, and current outstanding items.

 Reconciliation Template

heet Account Reconciliation Inventory

ok below contains a listing of all balance sheet accounts grouped by major classes of transaction. Reconciliation attributes such
cy, type, preparer, and approver are also listed for each account.

 Reconciliation Inventory