

# **FAMILY FIRST CREDIT UNION**

## **General Ledger Reconciliation Policy**

### **I. GENERAL INFORMATION**

Reconciliations of general ledger accounts are prepared on a regular basis to help ensure the accuracy of the credit union's accounting records. All general ledger permanent accounts (assets, liabilities and equity) are reconciled each month to ensure that mispostings and/or potential loss situations are identified and resolved in a timely manner. Although formal reconciliations of temporary general ledger accounts (income and expense) are not required, every account is reviewed for reasonableness as part of the month-end financial statement review process.

### **II. PREPARATION OF RECONCILIATIONS**

#### **A. Assignment of General Ledger Accounts**

1. Employees in the accounting department are responsible for preparing formal general ledger account reconciliations each month for review and approval by accounting management or their designees.
2. The accounting department maintains a general ledger chart of accounts listing which identifies the person responsible for reconciling each account. This list is periodically updated when general ledger accounts are added or deleted or when the reconciliation is assigned to a different employee.

#### **B. Format, Content and Timing of General Ledger Account Reconciliations**

1. The general ledger account number, account name, name of the reconciler, ending balance date and preparation date should be included on each account reconciliation.
2. The reconciliations should show all outstanding accounting transactions that support the ending balance in that general ledger account as of the last day of the month. The description for each entry should identify the date, type and amount of the transaction. Any relevant information, such as when the item will be resolved and/or who is researching the item, should also be noted on the reconciliation.

3. All reconciliations must be completed by the last day of the following month. For example, general ledger reconciliations for balances as of June 30th must be completed and ready for review by July 31st.
  4. When a reconciliation is completed, it should be initialed and dated by the preparer.
  5. Once reconciliation is completed, and is initialed and dated by the preparer, the accounting employees are responsible for filing it in the designated account reconciliation book in numerical order by general ledger account number.
- C. Research and Resolution of Outstanding Items
1. In addition to completing the formal reconciliation of the general ledger account, each accounting employee is responsible for contacting other FFCU employees (if necessary) to gain assistance in attempting to identify and resolve entries in the general ledger accounts assigned to them.
  2. When an item in the general ledger is being researched by another area, a notation should be made in the reconciliation of the employee's name and any other pertinent data that will explain the status of the outstanding item.
  3. It is the accounting employee's responsibility to notify accounting management of any issues or concerns that would delay the research and resolution of outstanding amounts in their assigned general ledger accounts.

### **III. REVIEW AND APPROVAL OF GENERAL LEDGER RECONCILIATIONS**

- A. The Monthly Review Process
1. Accounting management is responsible for monitoring the timeliness and accuracy of all general ledger account reconciliations and for ensuring that each account is properly reconciled in accordance with the guidelines in this procedure.
  2. The CFO, or his designee, will review all reconciliations and corresponding supporting documentation each month.
  3. The general ledger balance shown in the reconciliation is verified against the general ledger balance on computer system. In the appropriate section on each reconciliation, the reviewer should sign or initial that the balance on the reconciliation agrees with the balance reflected on the computer system.

4. Each reconciliation is reviewed to ensure that the outstanding items are reasonable and expected for the particular account under review. The reviewer also is responsible for ensuring that old outstanding items are being researched and resolved in a timely manner.

#### **IV. WRITE-OFFS IN GENERAL LEDGER ACCOUNTS**

As noted above, the accounting employee who is assigned the general ledger account has the responsibility for identifying and/or working with other employees to research and resolve any outstanding items. Most outstanding items will be resolved and cleared from the account in a timely manner. Some entries routinely may take several months to resolve (e.g. credit card disputes, insurance claims, etc.); these items would remain outstanding until finally resolved and cleared. On occasion, transactions will remain outstanding in a general ledger account for an extended period of time. If an entry is still outstanding after six months, it becomes a candidate for write-off to income or expense.

- A. Each month, as part of the general ledger account review process, the aging of outstanding items is scrutinized. For entries that remain in the accounts after six months, a determination is made concerning the progress toward resolution and clearing of the items. If resolution and clearing is not determined to be forthcoming in the next month or two, the CFO should be informed of the outstanding entry.
- B. The CFO or the Operations Manager is responsible for determining if all avenues for resolution of the items have been exhausted. All write-offs of outstanding general ledger entries or balances will be reviewed and approved by the CFO or the Operations Manager.
- C. Once an amount is approved for write-off, the employee who is responsible for the account reconciliation prepares a general ledger journal entry. The entry is approved by the CFO or the Operations Manager and is posted to the respective general ledger accounts.

## **V. RECORD RETENTION**

General ledger reconciliations are maintained at FFCU for a total of five years as designated in Accounting's record retention schedule. For the first two years, they are kept in the Accounting department; for the following three years, they are maintained in a designated storage location either at the credit union or at our north office.