

**Federal Student Aid (FSA)
Chief Financial Officer (CFO)**

Procedures for reconciling FMS to FMSS

How does the FMS to FMSS reconciliation process work?

The process involves 14 basic steps

1. Obtain FMS and FMSS Trial Balances
2. Analyze opening balance to ensure that it agrees to the prior period ending balance
3. Compare each G/L account balance in FMS' T/B to the corresponding G/L account balance in FMSS' T/B
4. Query FMS and FMSS to obtain detail transactions to support G/L account balances and ensure totals agree to T/B totals
5. Identify detail transactions that comprise differences
6. Ensure prior period timing differences clear in the current period being reconciled, and if not, continue to reflect as outstanding timing differences
7. Determine whether differences are timing or permanent differences
8. Research and analyze permanent differences to determine appropriate action to resolve the difference
9. Make recommendations to management to resolve any systemic differences identified
10. Propose journal entries to correct non-recurring differences, as appropriate
11. Ensure all entries correcting permanent differences are posted properly
12. When all differences have been identified, analyzed and correcting entries made as appropriate the preparer will sign the reconciliation and forward for review/approval.
13. Reviewer will review the reconciliation and either approve the reconciliation or return it to the preparer, for further analysis and resolution
14. Approved reconciliations will be maintained in hard copy and soft copy and made available to auditors upon request.

What does this document do?

This document specifies the procedure for reconciling transactions processed by FMS and posted to FMSS.

What is the policy on reconciling FMS to FMSS

The FMS transactions should be reconciled to FMSS to verify that the transactions are accurately posted to FMSS, which is the Department of Education's standard general ledger. These reconciliations should be performed preferably on a *monthly basis, but at a minimum, on a quarterly basis.*

Who must follow the procedures in this document?

FSA's Accounting Division will be responsible for performing these reconciliations.

14 basic steps for reconciling the FMS to the FMSS:

1) Obtain FMS and FMSS Trial Balances.

As an AD member you must:

- a) Obtain soft copy of FMSS T/B from OCFO.
- b) Obtain FMS T/Bs (pre and post split) from Oracle/Discoverer queries.
- c) On an as needed basis, compare G/L accounts on FMS T/B to Accounting Treatment documentation.

When?

As soon as the monthly books close in FMS & FMSS

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2) Analyze beginning balance to ensure that it agrees to the prior period ending balance

As an AD member you must:

When?

Beginning of every Fiscal Year

- a) Compare year-end G/L account balances in post closing T/B balances, plus any adjustments to the post closing T/B, to FMS beginning balances for October 31, 2002. Verify that beginning balances agree to prior year ending balances as reflected in the published Financial Statements.
- b) Review prior period reconciliation to determine the existence of any differences between FMS and FMSS.
- c) If balances do not agree recommend adjustments to AD management to bring the balances into agreement.

3) Compare each G/L account balance in FMS' T/B to the corresponding G/L account balance in FMSS' T/B

As an AD member you must:

- a) Prepare a worksheet for each fund comparing each G/L account balance on FMS' T/B to FMSS' T/B

4) Query FMS and FMSS to obtain detail transactions to support G/L account balances and ensure totals agree to T/B totals.

As an AD member you must:

When?

Same as step 2

- a) Run Discoverer queries to obtain FMS detail transactions to support G/L account balances on FMS' T/B.
- b) Run Cognos queries to obtain FMSS detail transactions to support G/L account balances on FMSS' T/B

When?

Once the formatted spreadsheets are available

5) Identify detail transactions that comprise differences

As an AD member you must:

When?

Once as part of process to reconcile

- a) For each G/L account with differences copy the FMS and FMSS detail transactions for each G/L account into one of reconciliation worksheet tabs. If the detail transaction files are too voluminous identify the supporting worksheet location, e.g., drive s/ file xxx.
- b) Identify differences at the budget limitation and object code level

6) Ensure prior period timing differences clear in the current period being reconciled, and if not, continue to reflect these differences in the reconciliation

- a) Verify that prior period timing differences clear in the current period
- b) If differences do not clear continue to reflect as outstanding timing differences

7) Determine whether differences are timing or permanent differences

- a) Analyze the differences to determine whether the difference is a timing or permanent difference.
- b) A timing difference is typically posted in one system at the end of the month but not in the other.

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- c) A permanent difference can result from a recurring systematic cross walk difference or from a manual entry posted to one system and not another.
- 8) Research and analyze permanent differences**
- a) Identify the source of all permanent differences.
 - b) Determine whether or not the permanent difference is a recurring systemic error or an occasional difference caused by a manual entry. For example, if the difference is caused by a manual journal entry, obtain a copy of the entry and determine if it was keyed and posted properly. The entry may have been mistakenly posted as a debit versus a credit or an incorrect G/L could have been entered during the posting process.
- 9) Make recommendations to management to resolve any systemic differences identified.**
- a) Any differences that caused by recurring systemic errors such accounting cross walk errors should be reported to management with a recommendation to resolve the identified errors.
 - b) An assessment should be made on the impact of the systemic errors on past reporting periods, which could necessitate a prior period adjustment if the error is material
- 10) Propose journal entries to correct non-recurring differences, as appropriate.**
- a) Make recommendations to post journal entries to correct non-recurring differences caused by manual entries posted to one system and not the other.
- 11) Ensure all entries correcting permanent differences are posted properly**
- a) Verify that any correcting journal entries is properly posted in a subsequent period to resolve non-timing differences.
- 12) When all differences have been identified, analyzed, and correcting entries made, as appropriate the preparer will sign the recommendation and forward for review/approval**
- a) The preparer will ensure that all differences have been identified, analyzed and correcting entries made
 - b) Before signing the reconciliation and forwarding it for review/approval the preparer will ensure that all worksheets are complete including all supporting reconciliation worksheets agree to summary reconciliation worksheets.
- 13) Reviewer will review the reconciliation and either approve the reconciliation or return it to the preparer, for further analysis and resolution**
- a) The reviewer will perform a quality review of the reconciliation worksheets
 - b) If the reviewer finds errors or the worksheets are incomplete he/she will return the worksheets to the preparer for further analysis/correction.
- 14) Approved reconciliations will be maintained in hard copy and soft copy and made available to auditors upon request.**
- a) All approved reconciliations will be retained in hard and soft copy and made available to management or auditors upon request.