

**William D. Ford Federal Direct Loan (DL) Program – Preparation of the Financial Accounting and Reporting System (FARS) to the Financial Management Servicing System (FMSS) Reconciliation Procedures**

**How does the FARS to FMSS reconciliation procedure work?**

The process involves 8 basic steps:

- 1) Send transaction reports to CFO/AD
- 2) Construct a summary spreadsheet comparing FARS to FMSS
- 3) Review the variance for each account
- 4) Prepare a variance analysis worksheet for each GL account
- 5) Compare the FARS Accounting detail with the FMSS detail
- 6) Forward variance analysis worksheet for each account to CFO/AD
- 7) Coordinate correcting discrepancies and annotate correction dates
- 8) CFO/AD Team Lead review, approval and filing

**What does this document do?**

This document specifies the procedure for preparing the monthly reconciliation of FARS to FMSS. The reconciliation is of FARS accounts, 1355, 131X, 1413 and 1414 for principle balance outstanding (PBO) and interest balance outstanding (IBO) and FMSS accounts of loan principle balance outstanding (*account 135001*) and interest balance outstanding (*account 134001*).

**What is the policy on reconciling the advance account sub-ledger to the standard general ledger reporting system?**

The FARS sub-ledger should be reconciled to FMSS, the standard general ledger, to verify that the transactions in the FARS sub-ledger are being accurately posted to FMSS.

**Who must follow the procedures in this document?**

All members in the Chief Financial Officer (CFO) – Accounting Division (AD), must comply with these procedures for the process to which it relates.

**8 steps in the FARS to FMSS Reconciliation Procedures**

**1 Send transaction reports to AD**

**As an ACS Accounting Staff member you must**

**When?**  
Monthly

The ACS Accounting Staff send transaction reports providing Transaction Code level detail posted in FARS for each General Ledger account to CFO/AD within the first five working days following the accounting period being reconciled.

**2 Construct a summary spreadsheet comparing FARS to FMSS**

**As an AD staff member you must**

**When?**  
Monthly

The AD staff construct a summary spreadsheet comparing FARS to FMSS transaction amounts and compute the variance. Transaction amounts involving known FMSS recycle and timing issues are noted on the spreadsheet before it is sent back to ACS Accounting Staff. CFO/AD staff also prepare a detail file and listing from FMSS on diskette in FMSS TC (transaction code) Pay/Voucher number order, supporting the amounts on the summary spreadsheet for FMSS.

**3 Review the variance for each account  
As an ACS Accounting Staff member you must**

**When?**  
Monthly

After receiving the spreadsheet and detail listing, the ACS Accounting Staff review the variance for each account to determine if an explanation for the variance is readily apparent. The ACS Accounting Staff member telephone CFO/AD to confirm the variances being researched.

**4 Prepare a variance analysis worksheet for each GL account  
As an ACS Accounting Staff member you must**

**When?**  
After obtaining the month end T/Bs

The FARS Accounting Staff member prepares a variance analysis worksheet for each GL account and FMSS TC with a variance needing research or explanation .

**5 Compare the FARS Accounting detail with the FMSS detail  
As an ACS Accounting Staff member you must**

**When?**  
When a permanent  
difference has be identified

The FARS Accounting Staff compare the FARS Accounting detail with the FMSS detail provided on diskette to determine the source of the variance. They list discrepancies and reasons on the variance analysis worksheet, and recommend solutions in a cover letter and in the notes.

**6 Forward variance analysis worksheet for each account to AD/CFO  
As an ACS Accounting Staff member you must**

**When?**  
After the reconciliation and  
related adjustments are complete

The ACS Accounting Staff forwards a variance analysis worksheet for each account and FMSS TC, and a cover letter listing any significant findings to CFO/AD no later than the 20th of the month for the preceding month's reconciliation. After the FMSS Summary Spreadsheet is received, completed worksheets are submitted, defined as:

- Three days for the 131X account
- Five Days for the 1355 account
- Seven Days for the 1413 account

**7 Coordinate correcting discrepancies and annotate  
As an ACS Accounting Staff member you must**

**When?**  
After supervisory review and signature

The ACS Accounting Staff coordinate correcting discrepancies and annotate correction dates on a Variance Analysis Worksheet Correction Log. A follow-up query is made to insure the correction was made properly. The work papers are filed in a secure place in Accounting. Copies of Journal Vouchers resulting from the reconciliation process are sent to AD/CFO.

**8.CFO/AD Team Lead review, approval and filing  
As an ACS Accounting Staff member you must**

**When?**  
Monthly upon completion

The AD Team Lead reviews all documents and signs as evidence of review. All documents are filed monthly.