

Northwestern University
Chart String Reconciliation Procedures

Introduction

The chart string reconciliation process serves as a control to ensure the appropriateness, accuracy and auditability of all transactions recorded in the University's financial accounting systems. The authorization and approval processes for transactions serve as the initial components of the chart string reconciliation. It is important that departments/units understand who should authorize and approve transactions, the significance of approving a transaction, and the process of reconciliation.

Account Management and Assignment

Who should authorize and approve a transaction?

Individuals accountable for funds assigned to their oversight and control are called chart string managers. The chart string manager is in the best position to authorize and approve decisions regarding how monies are spent or allocated. The decisions are reflected in accounting transactions which are recorded in the University's financial accounting system.

- For sponsored project chart strings, the chart string manager is the faculty member/principal investigator (PI).
- For non-sponsored chart strings, the chart string manager is assigned by the appropriate school or unit manager.

If any responsibilities of the chart string manager's role are delegated to another individual, it should be clearly documented and communicated to all appropriate personnel within the department/unit. Additionally, delegation should only be to an individual who is familiar with the purpose of the chart string and University policies and procedures. Delegation of chart string management tasks does not absolve the chart string manager from full responsibility for the appropriateness of the transactions recorded on the chart string.

Each unit's NUFInancials roles and security levels should be evaluated to determine that they are appropriate and aligned with job responsibilities. This review will assist in evaluating the authorization and approval processes. The roles and security levels should be evaluated at least annually; however, more frequent reviews may be warranted depending on the activities of the department/unit and any change in personnel.

What does it mean to approve a transaction?

Approvers should review documentation and be able to affirmatively document:

- All entries made to each chart string have been properly recorded, representing revenues and expenses for activities that pertain to the purpose of the chart string; revenues and expenses that pertain to more than one chart string should be allocated on a representative basis to the respective chart strings.
- All charges made to sponsored project chart strings are appropriate and allowable under the sponsor's regulations and are known to and authorized by the principal investigator responsible for the account.
- All charges made to donor-restricted funds (gift and endowed) are in accordance with donor-imposed restrictions.

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Approvals signify that the transaction is appropriate and adequate supporting documentation exists to substantiate the transaction.

Chart String Reconciliation

Reconciliation is a process by which the accuracy of a beginning balance and ending balance of funds available to achieve an educational or research purpose is evaluated and documented. The balances are recorded in a chart string, along with all transactional activity associated with the chart string. Individuals who are familiar with the purpose of the chart string and University policies and procedures should prepare the reconciliation. Examination of all revenue and expense transactions posted for the period reported (monthly) are evaluated against the criteria noted below: recognizable, right, and reasonable. Appropriate segregation of duties should also be considered in the reconciliation process.

A reconciliation process must be established for each department/unit. Budget statements should be reviewed and reconciled monthly. For non-sponsored chart strings, the GL005 – Summary Budget Status and GL008 – Revenue and Expenses Activity Report (detailed) should be used to review and reconcile transactions. For sponsored chart strings, the GM045 – Sponsored Project Budget Statement and GL008 – Revenue and Expenses Activity Report (detailed) provide the details necessary to assess the chart string's status and validate transactions posted. Additional reports should also be consulted in the course of financial management; information about the available tools can be found at myHR Learn 'Getting Started with Northwestern Enterprise Systems' at https://learn.northwestern.edu/Saba/Web_spf/PRODTNT074/app/shared;spf-url=pages%2Fpagelistview%2Fpgcnt000000000120879

Please note that a valid NetID is needed to access myHR Learn.

In order to facilitate the monthly reconciliation process, transactions should be monitored throughout the month using NUFinancials reports and queries. myHR Learn training curriculum supports ongoing monitoring and an increased understanding of budget statements and the reconciliation process.

Training materials can be found in myHR Learn. The following are recommended training courses:

- FMS722 – NUFinancials Budget Searches: Use the training guide *Viewing Budget Performance with Budget Overview (or with Budget Detail)* to check the budget and actual status of a chart string.
- FMS723 – Reconciling Budgets: Materials include a quick reference on correcting and monitoring transactions, as well as instructions on monitoring the following:
 - Payroll suspense
 - Match exceptions
 - Open encumbrances
 - Expense submission/workflow

The following section identifies the key objectives of the chart string reconciliation process. The tools specified above should be used to ensure these objectives are met.

- **Recognizable** – transactions on the budget statement represent items that were authorized and approved by the manager of the chart string or their designee.
 - The GL008 can be used to match charges recorded on the budget detail to the actual back-up documentation.

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- For internal charges (for example, from recharge centers and payroll), the unit should have a process to validate the detail of charges.
- **Right** – transactions are appropriate and allowable, representing revenues and expenses for activities that pertain to the purpose of the chart string and are in compliance with University policies and procedures.
 - For expenditures, the compliance component should have occurred at the approval level; however, the reconciliation step permits an additional review.
- **Reasonable** – the transaction dollar amounts should make sense in the context of the unit's operations
 - Using GL005 or GM045, review the balance/balance remaining column to ensure that account code lines are -aligned with budget plans.
- **Review** –the actual budget statements along with supporting reconciliation information should be given to the chart string manager.
 - It is the expectation that this review will be conducted in accordance with the 90-day guidelines – the time a transaction is initiated to the time that it is correctly posted on the budget statement should be no more than 90 days.

Frequently Asked Questions

- 1) What is the chart string manager's responsibility in the reconciliation process?
 - Each unit should have a process to ensure that the chart string manager is provided the monthly NUFinancials reports and the reconciliation of those reports for their review and approval. This process should occur monthly, but no less than every 90 days. The chart string manager and the unit are responsible for maintaining an appropriate record for documenting that a review has taken place, which may include, but is not limited to
 - an electronic or wet signature,
 - electronic evidence that the documentation was provided to the chart string manager,
 - or other evidence of routine budget discussions with the chart string managers.
- 2) Should every line of the budget statement be reconciled?
 - Yes, a budget reconciliation process should be established to ensure that transactions are authorized, accurate and complete. Due to the complexity of some operations, materiality thresholds can be established to ensure that transactions are reviewed, at least within the 90-day timeframe.
- 3) How can a department/unit accomplish reconciliations for multiple chart strings?
 - Divide the reconciliation process by account code (e.g. payroll, lab supplies, any account code with lots of activity), chart string manager or chart string (e.g. project or dept ID) to distribute the responsibility.
- 4) How long should budget statements and reconciliations be maintained?
 - Budget statement documentation (electronic or hard copy) should be maintained for eight years - http://policies.northwestern.edu/docs/Retention_of_University_Records_030410.pdf.
- 5) When are budget statements available?
 - The monthly closing calendar is available at

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<https://www.northwestern.edu/controller/index.html>

However, reports can be run daily, not just at month-end as data is updated nightly.

Contact List and Resources:

For questions about recording or propriety of transactions:

- ASRSP (grants) – asrspweb@northwestern.edu
- Accounting Services (non-grants) – 847-491-5337

For questions about transactions originators, journal types, sources, etc.:

- ASRSP (grants) - asrspweb@northwestern.edu
- Accounting Services – 847-491-5337

For questions about using NUFinancials or NUFinancials reports:

- Help Desk – 847-491-HELP, option #7