

CHAPTER 8. SUBLEDGER RECONCILIATION

8-1 Policy

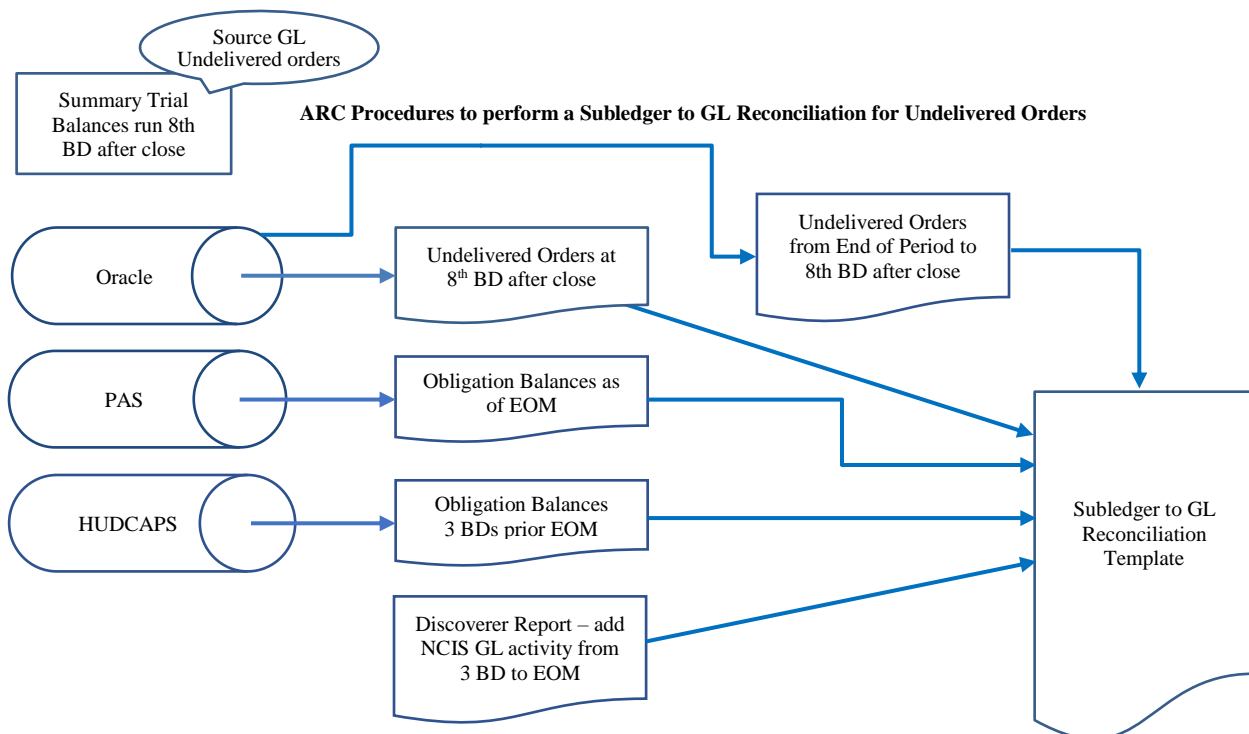
- A. The Subledger Reconciliation is in accordance to the Treasury Financial Manual – Part 2 Central Accounting and Reporting. In addition, Generally Accepted Accounting Principles (GAAP) are a set of accounting principles, procedures, and standards that are used for posting accounting transactions and compiling financial statements. GAAP states that the purpose of account reconciliation is to provide accurate and consistent financial accounts within the ledger. All accounting transactions must have proper supporting documentation to verify, validate, and reconcile to the appropriate account or fund symbol.

8-2 Procedures

- A. The following sections describe the procedures for the subledger reconciliation.

8-3 Background

- A. The subledger reconciliation process is a key task performed in each Period close to verify, substantiate and support the accuracy of account balances recorded in the Department’s financial statements.
- B. The process compares account balances in the General Ledger (G/L) to supporting balances in HUD’s legacy systems, the Oracle system, and supporting schedules and documentation as shown in the following figure describing the process to reconcile undelivered orders:



8-4 **Responsibilities**

- A. HUD's shared service provider, the Administrative Resource Center (ARC), part of the U.S. Department of Treasury's Bureau of the Fiscal Service initiates the subledger reconciliation process with preparation of Subledger to G/L Reconciliations performed at the Master Account File (MAF) and account levels.
- B. The monthly reconciliations are saved to the MAX webpage, Fiscal Service and HUD Collaboration Group, <https://community.max.gov/display/TREASExternal/HUD+FY18+SUBLEDGER+TO+GL+RECONCILIATIONS>. This webpage is available to all members of the reconciliation team at HUD and ARC for collaborative and archival purposes.
- C. The reconciliations are reviewed and approved by a senior accountant (see Appendix 7). The preparation and review activities are recorded with typed signatures of the accountant and senior accountant as pictured as follows:

Prepared By: Kelly Sheppard **Date:** 7/20/2016

Reviewed By: Melissa Williams **Date:** 7/22/2016

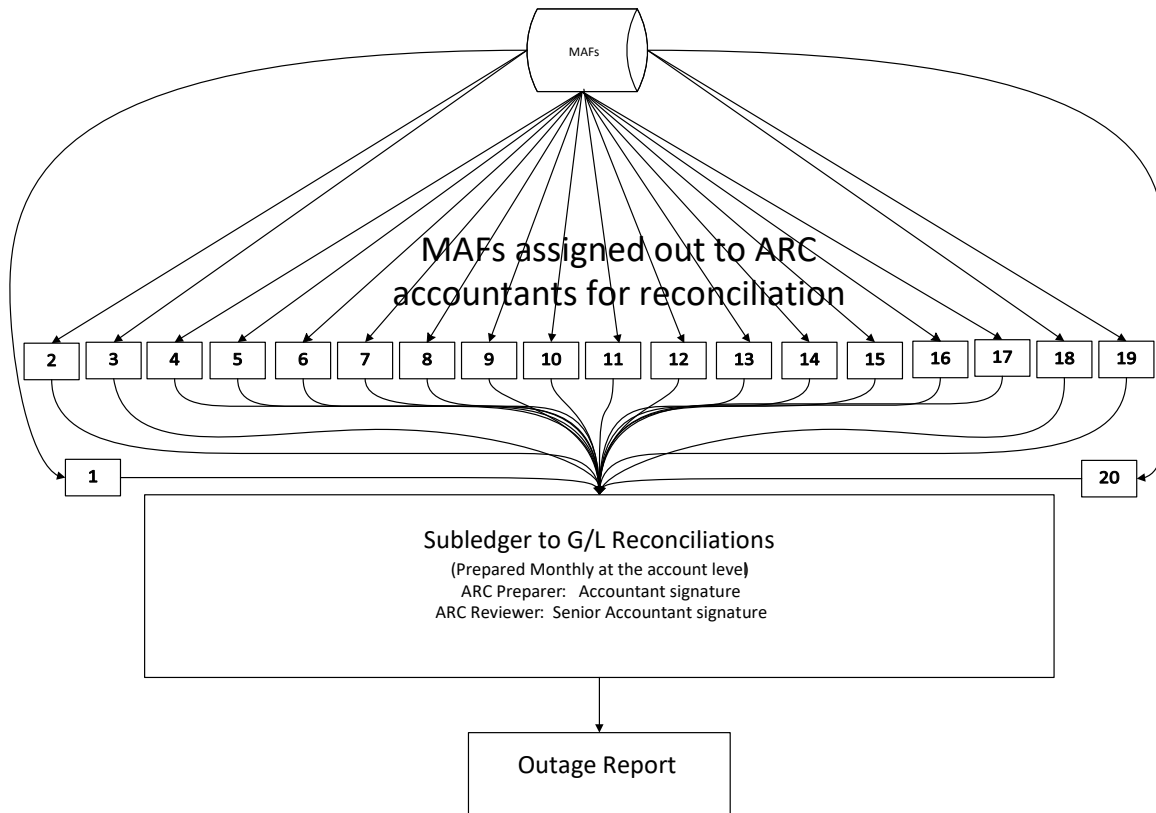
- D. ARC performs the reconciliation for all account balances recorded in Oracle. On any entries generated using templates with insufficient documentation or support, additional information from HUD may be needed to substantiate entries. ARC is dependent upon HUD for support, explanation, and any research needed on account balances recorded in HUD's legacy systems, HUDCAPS, PAS, and NLS, and any unsupported balances transferred to Oracle as of 9/30/2015 Conversion.
- E. ARC produces and distributes an Outage report (see Appendix 8 and paragraph 8-4 I. below) of the reconciliations. ARC places the Outage Report as a zipped file on a landing zone that is available to HUD Accounting, Systems, and Budget. The Outage report is a listing of unreconciled balances.
- F. The ACFO for Accounting (Accounting) is responsible for ensuring Accounting reviews, verifies and certifies the subledger reconciliation performed by ARC within 5 business days of receipt. In addition, Accounting is responsible to research and resolve routine differences caused by their team within 20 business days of receipt. Complex differences are contingent upon the required research and collaboration with other Divisions, Program Offices and OACFOs. Once all differences are resolved, Accounting will certify the subledger reconciliation.
- G. The ACFO for Systems (Systems) is responsible to provide ARC files of obligation balances, payables, and other transactions recorded in HUD's PAS and HUDCAPS

systems within 5 business days after the Period closes. Systems is responsible to research and resolve any differences on all accounts assigned to Systems within 5 business days of receipt.

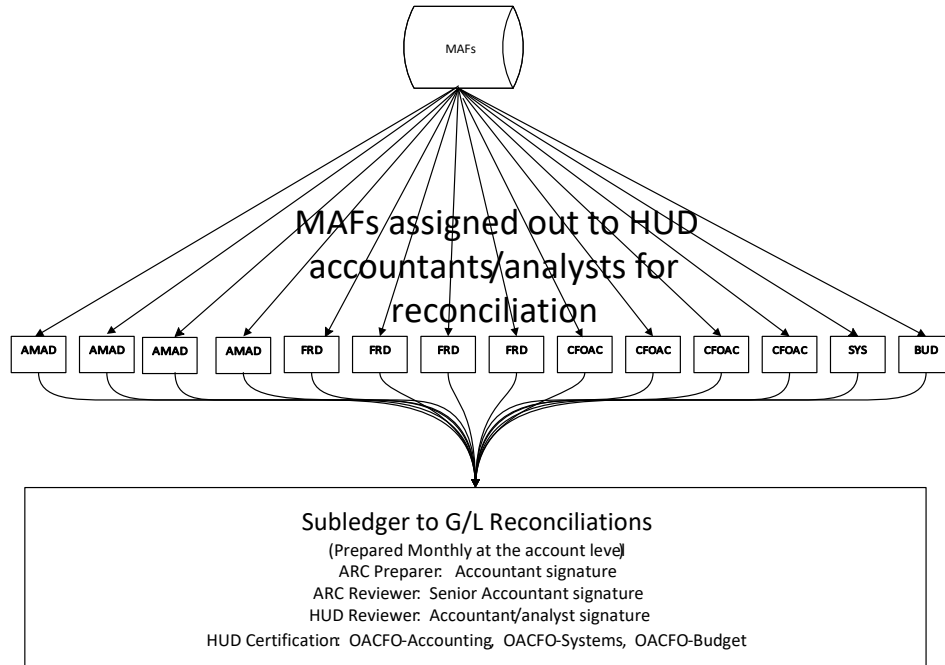
- H. The ACFO for Budget (Budget) is responsible to research and resolve any differences on all accounts assigned to Budget within 5 business days of receipt.
- I. The Sample - ARC Outage Report (see Appendix 8) includes a list of unreconciled Accounts assigned to Responsible ACFOs with date blocks to record “to be resolved” dates. Although most accounts have been assigned to Accounting, the ACFO for Systems and ACFO for Budget will participate in the resolution of differences when needed at the request of the ACFO for Accounting.

8-5 Reconciliation Team

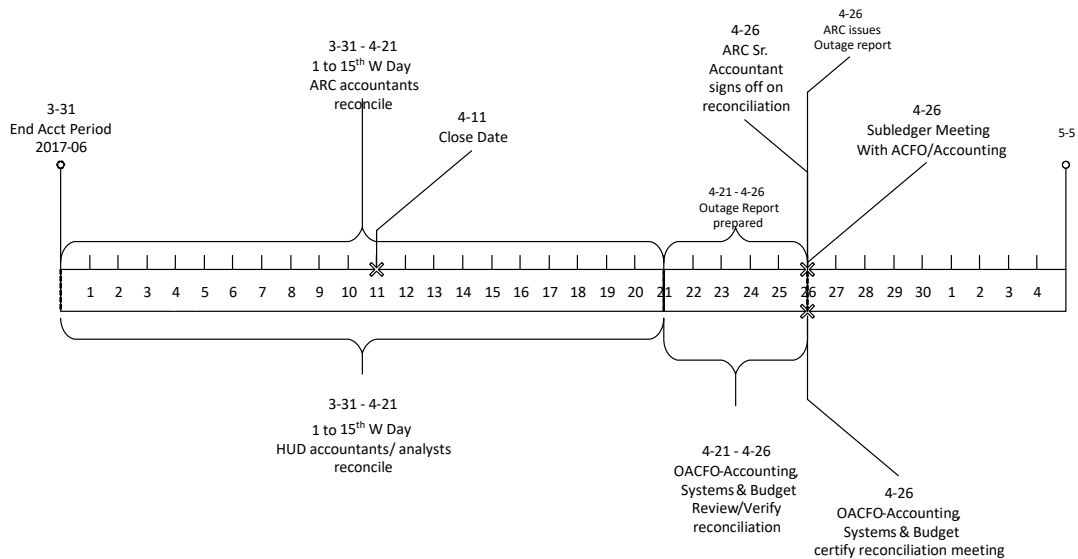
- A. ARC’s reconciliation team performs the analysis and reconciliation, a secondary review and approvals for the reconciliations as shown in the following figure. ARC finalizes the Outage Report by the 15th business day following the end of the period. The Outage Report is reviewed by the ARC Reporting and Analysis Supervisor and is sent to HUD by the 19th business day (see section 8.6 Sample Reconciliation Timeline).



- B.** The following is a structure for HUD’s subsidiary ledger reconciliation team with analysis by Accounting divisions, Systems, and Budget (staff is to be assigned by ACFOs):



8-6 Sample Reconciliation Timeline



The reconciliation shall be carried out monthly by ARC, HUD, Accounting, Systems, and Budget at the account level with appropriate explanations for unreconciled accounts

recorded into the Subledger to G/L Reconciliations filed on the Fiscal Service and HUD Collaboration Group MAX webpage. As an example, see page 4 of 8 of Appendix 7, Subledger to G/L Reconciliations for the explanation of the unreconciled difference of \$148M with respect to Fixed Assets, a section of which is pictured as follows:

| | |
|--|--------------------------|
| Unreconciled Difference | \$ 148,038,969.12 |
| Explanation: | |
| 2015 CONVERSION BALANCE | 147,459,797.01 |
| MAF has Fixed Assets but no entry from HUD Provided | 579,172.11 |
| Explanation of Unreconciled Difference | \$ 148,038,969.12 |

The explanation of unreconciled accounts shall provide:

- 1) a description of the issue
- 2) steps taken to resolve the differences or lack of support by ARC and/or HUD within 20 business days for routine differences and complex differences contingent upon required research and collaboration
- 3) future steps to be taken within 20 business days by ARC and/or HUD and Assigned Responsibility

Progressively from month to month, the Fiscal Service and HUD Collaboration Group MAX webpage will provide a chronology of the reconciliation efforts performed at the account level in a bottoms-up process commencing with those employees closest to the information needed to resolve and close the reconciliations. The accountants, analysts, senior accountants, and directors performing the reconciliations, reviews, approvals and certifications will provide evidence of the performance of these actions each month by typing and dating their signatures onto the Subledger to G/L Reconciliations.

The ACFO for Accounting and ARC are responsible for holding monthly meetings to discuss the reconciliation of the outstanding differences and the remaining historical records that are included in their respective accounts reflected on the monthly ARC Outage Report (see Appendix 8).

The ACFO for Systems will also be included during the reconciliation process. They will be tasked in reviewing and resolving any differences on the specific lines reflected on the monthly ARC Outage Report. The ACFO for Systems is responsible in certifying the monthly ARC Outage Report (see Appendix 8).