

# Ledger Controls

Office of University Audit  
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# Prelude

- Please feel free to raise questions as we present the material.
- We will also be available after this presentation to answer questions.
- We would be happy to arrange a separate meeting with you and your department!



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- Refer to the **SUBSIDIARY LEDGER INTERNAL CONTROLS DEFINITIONS & EXPECTATIONS** handout...



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## Key Points – Page 1

### **Presentation's main point:**

*It is critical that all departments implement a timely ledger controls process.*

- There are **limited** preventative or “front-end” controls, due to:
  - the manual nature of the University’s financial systems, and
  - the decentralized University environment



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## Key Points – Page 1 (cont.)

- Therefore, controls at the “back-end”, (i.e., at the departmental level), are critical for fiscal management and stewardship.
- The purpose of this document is to assist you in ensuring your department is effectively reconciling and reviewing its ledgers in a method consistent with University expectations, by:
  - Defining key internal control terminology
  - Recommending ledger management controls
  - Providing written guidance



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## Key Points – Page 2

- University management expects these three distinct controls to be in place at each department:
  - 1) Financial Analysis
  - 2) Ledger Review
  - 3) Ledger Reconciliation
- These controls are designed to work together to achieve an effective internal control environment.



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## Key Points – Page 3

### NOTEWORTHY TERMS:

- **Internal Controls:**
- **Segregation of Duties:**
- **Supporting Documentation:**



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## Key Points – Page 4

- **Inadequate ledger reconciliation and review:**
  - Contributes to going over budget
  - Creates opportunity for errors, misuse and fraud to occur and not be detected in a timely manner
  - Has been cited as a "root cause" in numerous misappropriation of assets investigations
- These guidelines are from an "all-inclusive", (all ledger), prospective.
- This document does not supersede guidance provided by ORPA, ORACS and CLASP for Sub-Ledger 5 internal control requirements.



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## Key Points – Page 5

- **Ledger reconciliation:**
  - Matching individual line item transactions on the monthly ledgers to supporting documentation
  - Includes Revenue, Expense (including Payroll) sub codes
  - **Includes reviewing transactions for appropriateness and reasonableness**
- The ideal practice: 100% reconciliation
  - All ledgers and all transactions monthly



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## Key Points – Page 5(cont.)

- Additional requirements for a “minimum” process include:
  - **Analysis:** cost-benefit and risk-based assessments
  - **Formally Documented:** outlines process details
  - **Approved:** by the department chair who acknowledges the risks
  - **Monitored:** by senior level departmental staff to ensure the process is working as designed and is effective



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## Key Points – Page 6

- Ledger review is a 2-step process:
  1. Review and inspect the adequacy and completeness of the reconciliation
  2. Review of the detailed ledger transactions
- The minimum requirements for ledger review:
  - Performed by a staff member who has first-hand knowledge of the department’s business and financial matters
  - Performed by someone other than the person preparing the ledger reconciliation



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## Key Points – Page 6(Cont.)

- The minimum requirements for ledger review (Cont.):
  - A cursory review of all transactions listed on the monthly ledgers
  - For Sub-Ledger 5 accounts, the PI should perform the ledger review
- The ideal practice adds re-performance testing.



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## Key Points – Page 7

- Financial Analysis is the process of performing an overall assessment of a ledger account or entire department.
  - Generally performed by the department head, or department head's delegate
- Evidence refers to the process by which a department documents the completion of ledger reconciliation and review activities.
  - Sign-off sheets are highly recommended
  - Initialing and dating also provides excellent evidence



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## Key Points – Page 8

- **Appendix A** provides a self-analysis worksheet for determining if your department is meeting the expected ledger control activities.



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## Key Points – Page 9

- **Appendix B** provides examples of notable and acceptable ledger control activities being performed by various University departments.



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## In Summary

### **Presentation's main point:**

*It is critical that all departments implement a timely ledger control process.*

- However, we do not apply a "one size fits all" methodology.
- The ledger controls document provides a flexible framework for improving or implementing ledger control activities in your department.



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## Contact

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