Financial Policy

Volume I
General Accounting

Chapter 6
Reconciliations

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0601 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding reconciliations.

Reconciliations, whether manual or automated, are an integral component of VA’s internal controls and are a requirement for all federal agencies as outlined in OMB Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, Appendix A, Management of Reporting and Data Integrity Risk. In addition to Circular No. A-123’s Appendix A, the Chief Financial Officers (CFO) Act of 1990 and the Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government (the “Green Book”) also highlight the importance or requirement of reconciliations.

VA’s systems, interfaces with other entities, and financial records, whether automated or manual require the performance of reconciliations to ensure that information is being accurately transmitted/communicated and recorded. Reconciliations must be performed timely and should be structured, documented, and verifiable. Differences identified through the reconciliation process must be investigated and corrected if warranted. Corrective actions shall be taken to mitigate the possibility of recurrence.

Key points covered in this chapter:

- The Administrations and designated staff offices will develop formal reconciliation plans documenting reconciliations unique to their operations as well as standardized reconciliations for VA-wide systems and processes.
- Reconciliation plans will be developed, reviewed, and approved by Administration CFOs, staff office CFOs, or senior executives on an annual basis; and
- Reconciliations will be performed consistently, and documentation will be maintained for audit purposes.

0602 Revisions

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<thead>
<tr>
<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Reason for Change</th>
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<tr>
<td>Various</td>
<td>Reformatted to new policy format and completed five-year update</td>
<td>OFP (047G)</td>
<td>Reorganized chapter layout and revised policy to reflect guidance updates</td>
<td>October 2018</td>
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<tr>
<td>0601 Overview</td>
<td>Updated reference to GAO Green Book</td>
<td>OFP (047G)</td>
<td>Revision published September 2014</td>
<td>October 2018</td>
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<td>Section</td>
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<td>0604 Roles and Responsibilities</td>
<td>Added requirement for Administration CFO, staff office CFO, and senior executives to develop formal reconciliation plans and define the frequency of reconciliations</td>
<td>OFP (047G)</td>
<td>NFR VA 16-4</td>
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<td>Added responsibilities for field staff to review, assign and perform defined reconciliations</td>
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<td>0605 Policies</td>
<td>Added requirement for Administration CFO, staff office CFO, and senior executives to develop formal reconciliation plans and define the frequency of reconciliations</td>
<td>OFP (047G)</td>
<td>NFR VA 16-4</td>
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<td>Included requirement for immediate corrective actions and monthly follow up of unresolved items</td>
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<td>Appendix A</td>
<td>Added general guidance on the development of reconciliation plans</td>
<td>OFP (047G)</td>
<td>Formal reconciliation plan requirement instituted</td>
<td>October 2018</td>
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**0603 Definitions**

**Data Validation** - A verification process where target data from one system or subledger is compared against original source data to ensure that the data was recorded correctly.

**Reconciliation** - A systematic and periodic process comparing two or more different sets of related records, explaining variances, and identifying needed adjustments.

**Reconciliation Plan** - A document providing a consolidated list of systems and processes which an organization must reconcile.
0604 Roles and Responsibilities

The Assistant Secretary for Management/Chief Financial Officer (VA CFO) establishes an agency-wide reconciliation policy and directs that reconciliations are performed in accordance with the reconciliation plans established by each Administration CFO, staff office CFO, or senior executive.

The Office of Finance (OF) annually confirms that Administration CFOs, staff office CFOs, and senior executives have reviewed the published reconciliation plans.

The Administration (VHA, VBA, NCA) CFO, staff office CFO (e.g., Supply Fund, OI&T), or senior executive of an office which has no CFO develops, publishes, and performs annual review of plans for quarterly, monthly, or more frequent, reconciliations of systems and processes. Administration CFOs ensure staff throughout the organization have adequate training to execute the reconciliation plan, attest, as part of the quarterly CFO certification process, that reconciliations to ensure data validity and the reliability of the financial statements have been performed, and that those reconciliations are complete and accurate to the maximum extent possible.

Fiscal Officers, Chiefs of the Local Financial Office, and Chief Accountants are responsible for: executing reconciliation plans; providing oversight of the reconciliation process; enforcing segregation of duties; ensuring necessary corrections are processed timely; and recommending improvements to reconciliation processes.

Accountants, accounting technicians, and other designated staff complete assigned reconciliations; maintain appropriate documentation; escalate problems or variances with reconciliations; provide justifications for material discrepancies; identify systems and areas requiring adjustment to the reconciliation plan; and propose more efficient ways to achieve the goals of the reconciliation process.

0605 Policies

060501 Reconciliation Plans

A. Administration CFOs, staff office CFOs, and senior executives will develop reconciliation plans to provide reasonable assurance that data is complete and accurate.

B. The following organizations are required to have formal reconciliation plans:
   - VHA;
VBA; NCA; and Financial Services Center (FSC).

C. Other staff offices with large resources (e.g. the Office of Acquisition, Logistics, and Construction (OALC) or the Office of Information and Technology (OI&T)) should also develop reconciliation plans to prevent misstatement.

D. During the first quarter of every fiscal year, and as needed based on implementation or retirement of processes and systems, each Administration CFO, staff office CFO, or senior executive will develop, update, and approve reconciliation plans specific to their respective operations.

E. By January 31 of each year, Administration CFOs, staff office CFOs, and senior executives will certify to OF that their organization’s reconciliation plans have been reviewed and updated as necessary to incorporate new guidance and priorities.

F. Each plan will provide general guidance on which types of reconciliations the Administration CFO, staff office CFO, or senior executive have deemed necessary (i.e., comparing balances in various accounts, reports, subsidiary records, and systems).

G. Administration CFOs, staff office CFOs, and senior executives will define the frequency that reconciliations identified within the plan are performed. The determination of frequency will be based on the type of data and relative importance (i.e., daily, weekly, biweekly, monthly, quarterly, annually, etc.).

H. To the maximum extent possible, VA will complete reconciliations prior to the certification of financial statements or financial reports. When this is not possible, reconciliations should be completed as soon as practical after the issuance of statements or reports.

I. The reconciliation of data between systems and its supporting documentation substantiates and maintains the conformity of records and ensures accurate financial reporting. Below are examples of reconciliations which could be incorporated into the formal plan.

1. Example system reconciliations:
   - Financial Management System (FMS) to Management Information Exchange (MinX);
   - MinX to Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS);
   - Veterans Information Systems and Technology Architecture (VistA) Integrated Fund Distribution Control Point Activity Accounting and Procurement (IFCAP) module to FMS;
2. Example financial reconciliations:

- Fund balance with Treasury (FBWT);
- General ledger abnormal balances;
- Undelivered orders;
- Accrued services payable;
- Agent Cashier advance;
- Accounts receivable;
- Budgetary to proprietary (B2P);
- Intragovernmental reimbursable agreements;
- Intragovernmental Transactions (IGT) and balances; and
- Budgetary execution and other financial statement reconciliation.

J. When deemed necessary by the Administration CFO, staff office CFO, or senior executive, plans will address inconsistencies of data transfer between two or more systems. System reject reports, or similar automated reports which alert staff that manual intervention is required to alleviate inconsistencies between two or more systems may be referenced in the plan. Reconciliations of this nature address one or more of the following issues:

- Duplicate data or duplicate transmissions of data;
- Verification of the accurate transmission of critical data fields;
- Differences in the record count; and
- Missing data fields.

K. Detailed examples or standard operating procedures may be included in the appendices of the plan to assist users with its execution.

L. Where applicable reconciliation plans should discuss how to trace items to supporting documentation to ensure agreement.

M. The Administration CFOs, staff office CFOs, and senior executives will ensure that reconciliation plans are distributed internally and are accessible to the Office of Finance, auditors, and other interested parties.

N. See Appendix A: Guidance for Reconciliation Plans for additional information.
060502 Reconciling Items

A. Differences noted in the reconciliation process shall be thoroughly investigated and resolved, reconciling items shall be investigated and documented. Corrective actions shall be taken when necessary to eliminate and/or prevent the recurrence of differences.

B. Out of balance conditions or data transfer errors shall be corrected within the period identified.

C. When material out-of-balance conditions and/or corrupt data exchanges are identified, VA will make every effort to institute corrections in the period identified. If not, VA will document the status and actions performed to resolve discrepancies and issues which remain monthly.

060503 Reconciliation Documentation

A. VA will maintain documentation related to reconciliations for a period consistent with the General Record Schedule (GRS) published by the U.S. National Archives and Records Administration (NARA) and any VA or Administration specific guidance.

B. The office or station performing the reconciliation activities will ensure formal schedules and work papers are of sufficient detail to make the reconciliation process, corrective actions, and annotations understandable to an independent third party.

C. Schedules and work papers will explicitly identify who performed and approved the reconciliations.

0606 Authorities and References


Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1: Accounting for Selected Assets and Liabilities

FASAB SFFAS 4: Managerial Cost Accounting Standards and Concepts

FASAB SFFAS 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting

Federal Financial Management Improvement Act of 1996 (FFMIA), P.L. 104-208, Title VIII
Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (the “Green Book”)

Office of Management and Budget (OMB) Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control

OMB Circular A-136, Financial Reporting Requirements


TFM Volume I Part 2 - Chapter 3400: Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury


TFM Volume I Part 2 - Chapter 5100: Fund Balance with Treasury Account

TFM Volume I Part 5 - Chapter 7000: Credit and Debit Card Collection Transactions

Volume I, Chapter 1 - VA Financial and Accounting Policy Overview

0607 Rescissions

Volume I, Chapter 6 - Reconciliations, dated December 2010.

0608 Questions

Questions concerning these financial policies and procedures should be directed to the following points of contact:

VHA VHA 10A3A Accounting Policy (Outlook)
VBA VAVBAWAS/CO/OPERATIONS (Outlook)
NCA NCA Financial Policy Group (Outlook)
All Others OFP Accounting Policy (Outlook)
Appendix A: Guidance for Reconciliation Plans

The information included in this appendix is intended to assist Administration CFOs, staff office CFOs, and senior executives with the creation and maintenance of reconciliation plans specific to their respective organization’s unique mission and operation.

The Administration CFO, staff office CFO, or senior executive will ensure at minimum that basic guidance on how to address reconciliations which result in the discovery of errors in the information being compared is included in the formal reconciliation plan.

In addition to the basic guidance it is recommended that the reconciliation plan also include sections for an introduction, a revisions table, and a table of contents.

A. Introduction. The introduction would align the user with the overall purpose of the plan. Language from, or references to, internal and external communications prepared by work or audit groups which support the reconciliations included by the organization are recommended. Examples include findings from financial quality assurance reviews (FQARs), and significant deficiencies or material weakness outlined in internal and external audit findings. This section of the plan will be updated annually. Annual update ensures readers are kept abreast of the current challenges and initiatives surrounding reconciliations within the organization.

B. Revisions table. The revisions table would provide the user with a list of changes since the plan’s initial implementation. Anytime the reconciliation plan is amended an entry would be added to the table providing a summary of the change(s) and the effective date.

C. Table of contents (ToC). The ToC would outline the basic structure and areas of consideration addressed in the document. It would be organized in such a manner that users are able to quickly identify and access information on reconciliations which are pertinent to their role in the organization. For example, when discussing necessary financial reconciliations, sections could include: fund balance with treasury (FBWT), cash, undelivered orders, accrued services payable, intra-Governmental activity, receivables, advances, PP&E, or unapplied deposits.

Inclusion of other information is left to the discretion of the Administration CFOs, staff office CFO, or senior executive. Appendices to the plan established by the Administration CFO, staff office CFO, or senior executive may include more detailed guidance to an area or specific reconciliation. Figures, examples, and/or standard operation procedures (SOPs) are all recommended in order to improve the user’s understanding and execution of the plan.