



**Penn**  
UNIVERSITY of PENNSYLVANIA

# Shared Governance Process for Account Reconciliation





## Shared Governance Process Overview

- Background
- Principles
- Process
- Progress



# Shared Governance Process Overview

- **Background**
  - May 2000 - PWC Financial Close Review Project
  - PWC Management Letter - FY 2000, 2001 & 2002
  - Recommendations
    - Streamline the closing, journal entry and reconciliation processes
    - Improve accountability within the Finance function and implement performance measures to track effectiveness
    - Adopt a culture of continuous improvement
  - SAS 112 – effective FY 2007
    - Significantly “raises the bar” for control compliance and documentation
    - Move from informal controls to “standardized” to “monitored” to “optimized”
    - Lack of documented controls is a control deficiency
    - Establish standardized practices & procedures
    - More formalized business cycle and process ownership required



# Shared Governance Process Overview

- Principles
  - Benefits of strong business controls are operational
    - Efficient and effective business activities
    - Safeguarding of operating assets
    - Optimization of operating cash flows
    - Attainment of business goals and objectives
    - Timely and accurate data to make business decisions
    - Accurate financial reporting is a “by-product”
  - Controls are a primary responsibility of functional department heads (FDHs)
  - “End to end” or “cradle to grave” responsibility
  - Monthly control discipline required
    - Transactions properly reflected in the right month



# Shared Governance Process Overview

- **Process**
  - Quarterly meetings held to meet the following objectives:
    - Formalized departmental closing calendars
    - Standardized reconciliation/substantiation process
    - Proper receivable aging and reserve adequacy processes in place
    - Proper suspense monitoring and aging processes in place
    - Proper internal controls are in place in your areas and are effective
    - Proper management of new or significant transactions
    - Proper matrix management initiatives are underway that are designed to improve process, controls and procedures in other organizations for your respective transaction cycle
    - Prepare comprehensive fluctuation analysis to detect errors and provide explanations for the business reasons behind any significant or unusual changes



## Shared Governance Process Overview

- Process (cont'd)
  - Development of the Object Code Inventory Worksheets
    - Designed for FDHs to employ as an “exception reporting” mgmt tool to address some of the basic Shared Governance principles:
      - Reconciliation and substantiation - ensures that the accumulated balance sheet object code balances are substantiated by supporting detail records
      - Receivable aging - significant control which helps ensure that receivables are collected in a timely manner and that related reserves are adequate
      - Reserve adequacy - required to be changed in the period that significant changes in facts and circumstances occur and write-offs must be processed in a timely manner
      - Suspense Monitoring and Aging - procedures designed to record transactions in the proper accounts when they occur and current items reclassified to proper accounts in a timely manner
      - Matrix management - identification, review and oversight of the activities of outside departments which impact central departmental business cycles
      - Formalized documentation - requires FDHs to document their attestation that proper review has been completed



## Shared Governance Process Overview

- Progress to date
  - Departmental monthly closing calendars formalized
  - Process “How-to” documentation formalized
  - Account reconciliation/substantiation format standardized
  - Compensating/Detective controls strengthened
    - Formal financial statement account analysis process designed to detect errors or omissions and/or provide business explanations for change
  - Financial Reporting group meetings
    - Pro-active management of new significant transactions to ensure proper recording in the period they occur
    - Review significant fluctuations discovered in account analysis process
  - Improved audit support & responsiveness