

# Tier 2 Checklist for Reconciliation Review

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This checklist is designed to assist Tier 2 employees with reviewing the monthly reconciliation prepared by Tier 1 of the Monthly Financial Reports (sometimes called the departmental ledgers or MFRs).

For departments where the Tier 1 reconciler also processes transactions, the Tier 2 review is more critical as a compensating control to make up for the lack of separation of duties. If there is not a Tier 2 in the unit, Tier 3 should conduct this review.

## Beginning the Review

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- Review notes and/or questions from the Tier 1 reconciler. Confirm the reconciliation was completed and documented.
- Review the previous month's reconciliation for any reconciling items that needed correction to ensure that the item(s) were corrected this month.
- If the department has a shadow system, review the reconciliation of the shadow system and tie it to the Monthly Financial Reports.

## Transaction Detail Report

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- Look for errors in accounting classification – incorrect input of fund, account code or other critical accounting data (such as project, flex, etc.) omitted.
- Confirm that Tier 1 investigated and explained any unrecognized transactions.
- Investigate any transactions requiring further research. If the support documentation for any transaction does not provide a clear business purpose for the university, additional justification is required.
- Confirm there are no duplicate expenditures by checking for repetitive amounts to the same vendor, duplicate invoice numbers, or duplicate transaction descriptions.
- Confirm that deposits are accurately shown and match departmental records.
- Critically review source documentation for transactions, especially those that are classified as “higher-risk” (PCard, non-UF Market, etc.) or are unusual for the cost center, to ensure that it is adequate to support the financial transaction.
- Review expenditures to ensure they are allowable, appropriate, and in line with any restrictions based on funding source.

## Payroll Reconciliation Detail Report

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*Please note, it is essential to coordinate with the Human Resources processor for your department when reviewing the Payroll Reconciliation Detail Report.*

- Verify that employees listed in the Payroll Reconciliation Detail Report are currently employed and accurately paid.
- Review documentation for transactions such as lump sum payments or increases in pay.
- Review that employees are paid out of the correct cost center and changes are accurately reflected.

## Review of Summary and Other Reports

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Other Monthly Financial Reports, including the Summary Reports, should have a visual or analytic review of the activities for each cost center. To review this activity, you must understand the purpose and then visually or electronically scan the activity for reasonableness.

When reviewing, ask yourself the following questions:

- Verify activity matches the purpose of the cost center
- What type of activity/transactions/account codes should I expect to see?
- Is the amount of the transactions reasonable compared to budget, based on your knowledge of the current or prior year activity?
- Is the cost center at risk for overcommitted funds? Do I have enough money to cover anticipated expenditures through the end of the budget period?
- Does the amount of the transactions or total monthly activity seem too large or too small?
- Does the account have the correct natural balance (debit for expenses, credit for revenue)? If not:
  - Did an entry post in reverse?
  - Was there a transaction posted in error?
  - Was there a duplicate entry?
- Was an account code used this year that had not been used in previous years? Is this appropriate, or did something post to the wrong account code?
- Should salary and employee benefits be posted to this cost center?
- Are all encumbrances accurate? Do any need to be closed?

## Completing the Reconciliation

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After the Tier 2 review is complete, the unit should have processes in place for spot-checking and approval by Tier 3. To move to the next step, Tier 2 should perform the following actions.

- Detect and resolve errors noted by Tier 1 or found during Tier 2 review
- Coordinate corrections to the official accounting records in myUFL as appropriate.
- Document the review (can be done electronically).