

## General Ledger 5111 Reconciliation

*The purpose of this document is to provide procedures for reconciling GL 5111 - Accounts Payable for agencies that make payments through AFRS and are using the ALL ACCOUNTS template. There are varying degrees of complexity in agencies and their respective transactions, so this procedure may not be the best for all agencies. Each agency should choose a method that meets their needs and circumstances.*

Some **Basic Information** regarding GL 5111:

For GL 5111 and other payable GLs, unless you have an internal Accounts Payable (A/P) system, there isn't an independent number to balance against (like you would balance GL 1110 – Cash in bank to a bank statement). So, what you're doing is ensuring that (a) you know what transactions make up the ending balance and (b) you are tracking and monitoring any MANUAL entries to ensure they clear within a reasonable timeframe.

Agencies that have an internal A/P system should reconcile their system balance to AFRS.

For all payable and receivable GLs, amounts that are posted to a GL will eventually need to be liquidated/cleared. In AFRS, there are GL 5111 transactions that clear automatically and others that don't. Those that clear automatically are:

- Payment transactions, like a transaction code (TC) 210 which credits GL 5111. AFRS generates a “wrap” transaction (TC 398, in this case) which liquidates the payable (i.e., debits GL 5111) when it generates the payment. Wrap transactions always post in the current fiscal month, so payment transactions that post on the last **calendar** day of the month or later will clear in the following fiscal month. Refer to table on page 8.
- Accrual transactions using batch type X which generally credit GL 5111 or another payable GL. AFRS generates batch type Y transactions that post in the fiscal month following the batch type X, reversing all the batch type X transactions.

All other transactions do not clear automatically and are referred to in this procedure as ‘MANUAL’ entries. **If a MANUAL transaction is entered, it must be manually cleared.** These MANUAL transactions could be cancellations, accruals (not using batch type X), estimated accruals, payment transactions that *debit* GL 5111 (liquidating a previous accrual), or other JV transactions. The reconciliation process for GL 5111 must take these transactions into consideration. Generally, the biggest challenge of reconciling GL 5111 is identifying, monitoring, and tracking these manual transactions to ensure they all clear. The complexity of each agency's GL 5111 reconciliation is related to the number and type of MANUAL transactions entered.

**NOTE: This procedure assumes the beginning balance in GL 5111 is only from the prior month accruals/payments or other “known” balances. If this account has not been reconciled recently (or ever), it is possible you will get to the end and have an unreconciled variance. This could be a previous balance from a manual transaction that has been carrying forward for months or years. Contact your OFM Accounting Consultant as OFM runs a GL 5111 query periodically that may help you identify this variance and/or when it occurred.**

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**PREPARE THE TEMPLATE.** If you have not used this template before, there is a one-time process to set up the template with the accounts/funds used by your agency. In subsequent months, you can skip this part unless there is a change in accounts/funds used.

1. Open the **GL 5111 Reconciliation Template – ALL Accounts** file. This is a blank template that you will prepare for your agency.
2. In ER, run a General Ledger Summary Flexible report in the **Microsoft Excel – Workbook Data Only** format limited to:
  - a. Your agency
  - b. The fiscal month you are reconciling
  - c. All accounts (\*)
  - d. GL 5111
  - e. Group the report by General Ledger, then by Account to see the GL 5111 balance in each account.

Open the resulting Excel file.

3. Copy columns A-F, row 1 through the Agency total row, and paste to **cell B1** in the **ER Summary** worksheet of the template. Column A has a function to get the account number which is then used for a Vlookup formula. Do not paste into this column. Add or delete rows as needed so the 'Grand Total' in column A lines up with the Agency total row. If needed, copy the formula in column A so each account number is listed in that column.
4. Go to the **Reconciliation** worksheet of the template. The template is set up for 15 accounts (columns E – S). Insert or delete columns as needed for the number of accounts used by your agency. Row 12 should show all accounts and a Grand Total.
5. Row 13 contains a Vlookup formula to pull the ending balance for each account from the **ER Summary** worksheet. Verify that the total on line 13 equals the total on the ER Summary report.
6. Save the template using your agency naming convention.

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## MONTHLY RECONCILIATION PROCESS

1. After the fiscal month closes, open the **GL 5111 Reconciliation Template** prepared for your agency or the prior month reconciliation file. 'Save as' with a new file name for the month being reconciled, per your agency naming convention.
2. In ER, run a General Ledger Summary Flexible report in the **Microsoft Excel – Workbook Data Only** format limited to:
  - a. Your agency
  - b. The fiscal month you are reconciling
  - c. All accounts (\*)
  - d. GL 5111

Group the report by General Ledger, then by Account to see the GL 5111 balance in each account.

3. Open the resulting file. Copy columns A-F, row 1 through the Agency total row, and paste to **cell B1** in the **ER Summary** worksheet of the template.
4. Go to the **Reconciliation** worksheet of the template. Verify that the agency total in row 13 equals the agency total on the **ER Summary** worksheet.
  - a. If not, check formulas and check for a missing account. Update the **Reconciliation** worksheet as needed.

5. In ER, run a General Ledger Analysis Flexible report in the **Microsoft Excel – Workbook Data Only** format limited to:
  - a. Your agency
  - b. The fiscal month you are reconciling
  - c. All accounts (\*)
  - d. GL 5111

Alternatively, run a web intelligence (webi) query with the parameters listed above and the output fields used by your agency. Note: It is recommended that you use a standard webi query so all the fields are consistent from one month to the next.

6. Open the ER file or export the webi query into Excel. Select the entire worksheet and copy/paste to the **ER Activity** worksheet of the template.
7. Go to the **Activity Summary** worksheet of the template. In the following steps, you will use pivot tables to summarize the monthly activity in various categories to identify the transactions that make up the ending balance in each account.

The data source for each of the pivot tables will need to be updated each month to include the complete list of transactions. To update the data source, move the cursor to a cell within the pivot table and click on the **PivotTable Analyze** tab. Click on Change Data

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Source and update the Table/Range field so it includes all activity rows. Repeat process for the three pivot tables: 'Payments made after cash cutoff,' 'X-Batch Accruals', and 'Manual Transactions' all of which use the **ER Activity** worksheet as the data source.

8. **Payments made after cash cutoff.** These are payment-generating transactions that posted after the fiscal month cash cutoff and for which the automated wrap transaction will post in the following fiscal month. These are identified using the following criteria:
  - a. TC (Transaction Code) – select only payment/wrap TCs. The most common TCs are listed at the bottom of the **Activity Summary** worksheet, but your agency may use others as well. If you aren't sure how to tell if a TC is a payment or wrap, open the [AFRS Transaction Codes - Excel Version](#) document on the OFM website. Click on the 'TC Wraps' tab. All the TCs in **column A** are **payment-generating** and columns B and C contain all the wrap TCs. Add the TCs used by your agency for quick reference.
  - b. Proc Dte (Process Date) – select all process dates starting with the last business day of the prior calendar month. For example, in March 2023, the last business day was Friday, March 31. Include March 31 and any April dates. If your agency did not have activity on March 31, only include April dates.
  - c. TT (Transaction Type) – select type A only.
  - d. BT (Batch Type) – exclude batch types X\_ and Y\_. (These have their own query.)

Once the query criteria and data source are updated, refresh the query. Verify that the grand total on the **Reconciliation** worksheet (row 16) matches the grand total on the **Activity Summary** worksheet.

9. **'X' batch accruals.** [*If your agency does not use batch type 'X' for monthly accruals, delete the pivot table and skip this step.*] These are monthly accruals for which the automated reversal will post in the following fiscal month. These are identified using the following criteria:
  - a. BT (Batch Type) – include only batch types with X in the first position (X0-X9, XA-XZ).

Once the query criteria and data source are updated, refresh the query. Verify that the grand total on the **Reconciliation** worksheet (row 17) matches the grand total on the **Activity Summary** worksheet.

10. **MANUAL transactions.** All remaining transactions not captured in steps 8 and 9 above are **MANUAL** transactions, meaning they will not automatically clear. These could be new accruals or they could be transactions that are clearing previous manual transactions. In this step, you are checking for and summarizing these transactions. In a later step, you will need to do a bit more work with the actual transactions. These **MANUAL** transactions are identified using the following criteria:

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- a. TC (Transaction Code) – select all TCs not selected for the ‘Payments made after cash cutoff’ (step 8).
- b. BT (Batch Type) – exclude batch types X\_ and Y\_.

Once the query criteria and data source are updated, refresh the query. Verify that the grand total on the **Reconciliation** worksheet (row 28) matches the grand total on the **Activity Summary** worksheet.

**SPECIAL NOTE:** Some payment-generating TCs have a variable debit that allows GL 5111. For example, TC 955 could have a debit GL 5111 as well as the hard-coded credit to GL 5111. In this case, the ER report will show two transactions. The credit side is a payment transaction and will be cleared by the wrap, but the debit side is a MANUAL transaction that should be liquidating a prior manual accrual. Other similar examples are TCs 828, 635, and 649.

11. The ‘Payments made after cash cutoff’ group may contain transactions described in the box above. Use the pivot table (**Activity Summary** worksheet) to see if TC 955, 635, 649, or 828 were used. If they were used, go to the **ER Activity** worksheet. Add filters to the row with column titles (row 3). Filter the TC column for these 4 TCs and filter the Amount column for amounts greater than zero to get the debit amounts. The resulting transactions, if any, are payments liquidating a prior accrual.
  - a. Summarize these transactions by account. On the **Reconciliation** worksheet, enter these amounts on the line that says, “Payment liquidating a prior accrual (5111 is a DEBIT) – **ADD IN HERE**” (row 27). These will be subtracted out of the top section (row 18). The reason for this is that these amounts were included in the ‘Payments made after cash cutoff’ but they are not part of the group that will clear automatically next fiscal month. So, we’re moving them to the correct section of the reconciliation.
  - b. The actual transactions should be copied to the appropriate activity tracking worksheet. On this template that would be either the **Estimated Accruals** worksheet or the **Manual Activity Tracking** worksheet. However, your agency may have a different tracking method. (We’ll get back to these in step 14 below.)
12. The only rows left to complete on the **Reconciliation** worksheet are the prior month balances of prior period estimated accruals (row 24) and other MANUAL transactions (row 25), if any. These are listed separately on the template; however, if your agency tracks these all together, you don’t need to separate them. Record the totals on either line.
13. At this point, you should have identified everything that makes up the ending balance for each account and the Unreconciled Balance (row 34) should be zero. If it’s not, go back and check your numbers and formulas.

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Now you know what makes up the ending balance. Any accounts that have no amounts in the lower section (i.e., Row 21 – Portion of balance that will NOT clear automatically = zero) are done for this month. For accounts that do have amounts in the lower section, **you are not done with the reconciliation!**

14. The current month manual transactions need to be identified. On the **Activity Summary** worksheet, check the TCs in the MANUAL Transactions pivot table. Go to the **ER Activity** worksheet. Filter the TC column selecting only those TCS on the pivot table and filter the batch type (BT) column to exclude batch types X\_ and Y\_. The total of these transactions should equal the total on the pivot table.

Copy the resulting transactions to the appropriate activity tracking worksheet. On this template that would be either the **Estimated Accruals** worksheet or the **Manual Activity Tracking** worksheet. However, your agency may have a different tracking method.

15. Your activity tracking sheet(s) should now include all current month activity as well as any transactions from the previous reconciliation that had not cleared. The total by account should match the **Reconciliation** worksheet ‘Portion of balance that will NOT clear automatically’ (row 21).

The current month transactions should be analyzed to determine if they are:

- a. Liquidating or adjusting estimated accruals from a prior period. SAAM Subsections 90.20.30.b and 90.20.40.b require agencies to track estimated accruals by expenditure authority, so be sure these transactions are captured in the system or file your agency uses for tracking these. The reconciliation template provides a worksheet, **Estimated Accruals**, that can be used for this purpose. After adding transactions, add a pivot table to calculate the balance by EAI. These balances should be monitored to determine the appropriate time to write them off, per SAAM [90.20.45](#).
- b. Clearing a previous manual transaction. Indicate both transactions are cleared by placing an x in the column next to them, highlighting, or some other way. When this file is used for the following month’s reconciliation, the offsetting transactions (i.e., they net to zero) can be removed.

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- c. A new manual transaction. Review the documents that created these transactions to determine if they are correct and how/when the transaction will be cleared and by whom. Note this information on your tracking sheet and follow up on it in the following month or as appropriate.

Any prior month transactions that have not been cleared should also be analyzed. Other than estimated accruals, most items in GL 5111 should clear within a couple months. If a reconciling item has been brought forward for multiple months, check with the person to whom it is assigned to find out the status and expected date to clear. If necessary, bring to the attention of your supervisor and/or the reviewer for assistance.

Regarding the unliquidated estimated accrual balances from prior years, the agency needs to determine when it is appropriate to write off the remaining balance. Refer to SAAM [90.20.45](#). If there has been no activity for several months or if you are nearing the end of the fiscal year, check with the appropriate individuals about whether this adjustment should be made now or when it is expected to be made.

16. If any errors were identified during the analysis in Step 15, prepare the correcting transactions and process per agency procedures.
17. Once everything is complete and documented per your agency procedure, sign off on the template by entering your name and date in the 'Prepared by' and 'Date prepared' fields. Let the reviewer know the reconciliation is ready for their review.
18. The reviewer should:
  - a. Ensure the amount being reconciled to is the actual balance in AFRS and that the unreconciled balance is zero.
  - b. Verify that all reconciling items have been assigned to the appropriate staff person.
  - c. Analyze the types of reconciling items to determine if there are common errors across multiple staff and/or errors that are being repeated by a single person.
  - d. Review the reconciling items for anything beyond three months old and determine if additional action is necessary to clear them.
  - e. Compare the current month amounts with the prior month reconciliation for reasonableness. For example, if 'X' batches normally total \$5,000 per month, but this month they total \$2 million, was there an error or a legitimate reason for such a large increase?
  - f. If needed, provide group or one-on-one training to ensure staff are aware of correct procedures.
  - g. Sign off on the template by entering your name and date in the 'Reviewed by' and 'Date reviewed' fields.
  - h. Mark as complete on agency reconciliation tracking sheet, if applicable.

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### Example of Payment and Wrap Transactions in Same Biennium

Day	TT	TC	DR	CR	Description
1	A	210	6505 Accrued Exp.	5111 Accts. Payable	<b>Agency</b> enters a transaction in AFRS with intent to make a payment, establishing a payable (GL 5111). Fiscal month based on transaction/batch.
2	B	398	5111 Accounts Payable 6510 Cash Exp.	7120 Warrants-in-Process 6505 Accrued Exp.	<b>System-generated</b> (TT=B) "wrap" transaction indicating the payment was generated. Fiscal month is based on <u>calendar</u> month.
2/3	A	750	7120 Warrants-in-Process	4310 Current Bien. Cash Activity	<b>Office of State Treasurer (OST)</b> posts the cash side of the transaction and clears the in-process (Day 2 for warrants; day 3 for ACH/EFT). The FM is based on the <u>calendar</u> month.
	NET		6510 Cash Exp.	4310 Current Bien. Cash Activity	

Note that the OST transaction does not affect GL 5111. It is shown here to illustrate the entire payment process.