**Reconciliation Roadmap**

**INTRODUCTION**

Reconciliation is a vital part of the financial controls, risk mitigation and program monitoring of any response. It is a regular and ongoing process that ensures cash transfers and in-kind assistance are accounted for, all transactions and activity are valid, unauthorized changes have not occurred to transactions during processing, and errors and discrepancies are detected and addressed. Furthermore, completion of the reconciliation process is essential for maintaining a clear audit trail, and accountability to donors and beneficiaries.

Reconciliation is the process of comparing information that exists in two systems or locations, analyzing differences and making corrections so that the information is accurate, complete and consistent in both locations. In most cases this means comparing transactions and activity to supporting documentation such as, beneficiary lists, inventory and cash records, payment orders, etc.

**RECONCILIATION AND THE PROJECT CYCLE**

Reconciliation should be thought of and addressed throughout the project cycle. During the preparedness process, the gap analysis and self-assessment should be carried out to determine the organizational capacity to incorporate the reconciliation procedures needed for the most plausible CBP modalities and delivery mechanisms. This information will serve as a baseline when developing preparedness SOPs and POAs for likely scenarios. Reconciliation should also be incorporated into HR and financial systems. This will help ensure that staff competencies include the ability to effectively manage issues related to a more robust reconciliation process and financial systems include selecting and contracting with service providers, etc.

As risk analysis is started and updated throughout the project cycle, the reconciliation procedures should be developed and updated, if needed, to mitigate accountability, fraud and corruption risks, beneficiary registration risks, and capacity related risks. An adequate reconciliation process will:

* Mitigate and capture cases of corruption.
* Mitigate and capture cases of misuse of funds at the various levels (i.e. employees, volunteers, vendors, third parties, beneficiaries, etc.)
* Mitigate and capture cases of fake/counterfeit vouchers.
* Mitigate and capture cases of theft.
* Have appropriate segregation of duties and delegation of authority.
* Include adequate human resources with technical know-how and knowledge of applicable policies and procedures.
* Effectively keep track of beneficiaries, encashments, distributions, inventories (cash, in-kind items, stored value cards, beneficiary cards, vouchers, etc.) and account balances.

For CBP especially, advocacy efforts should reflect that reconciliation procedures have been vetted and documented as evidence to key stakeholders that may have concerns about complex monitoring and internal controls.

The service provider assessments and selections should take into consideration the service providers' capacity to provide adequate, accurate and timely reports that will serve as support documentation for the reconciliation process, as well as, its capacity to provide continual dedicated support for any discrepancies or issues that need to be investigated and resolved. Contracts with third parties should list the following requirements in detail:

* Process for the transfer of funds to recipient
* Details of the verification criteria and documentation process the service provider must follow when transferring cash to beneficiaries
* Details of the reporting requirements including frequency, content and proof of transaction
* Outline of the process to follow for absentees, bounce-backs and repayments
* Exit strategy including any account de-activation periods and additional support from the service provider beyond the transfer period

These tasks and requirements serve as an integral piece of the reconciliation process or are directly connected to reconciliation.

Thinking about how different elements of the program with be tracked and cross-checked from set-up will help mollify potential issues and ease disruptions during implementation. Include the staff structure and assignment of roles and authority levels for each step of the reconciliation process in the SOPs and POA. The feedback and complaint mechanism should be linked to reconciliation so that issues that arise in the CRM system can be cross-checked in the reconciliation system and vise-versa.

During implementation, reconciliation should be completed each instance there is a movement of funds or items to another person, entity or account. At a minimum reconciliation should occur at each encashment and distribution so that problems can be easily identified and resolved in a timely manner and accountability to the beneficiaries and donors is constantly maintained. It is also important to reconcile accounts and inventory in regular time intervals (weekly or monthly) as part of the project and account monitoring process.

At the end of the project, all accounts set up for the CBP will be balanced and reconciled, and all funds should be returned to RC/RC by the service provider. Finance will complete a final reconciliation of funds and close the account(s**).**

**MINIMUM STANDARDS**

* Reconciliation procedures are documented
* Authorization levels are documented
* Reconciliation is preformed systematically at regular intervals
* Separation of duties is maintained
* All discrepancies found are resolved in a timely manner
* All ToRs, Scope of Works, Letter of Agreements, and Service Contracts specify details of the reporting requirements including frequency, content and proof of transaction for reconciliation purposes

**PROCESS**

*Design and document the reconciliation procedures*

Reconciliation procedures should be designed to mitigate the risks associated with the particular activity and method of delivery, and catch and resolve errors in a timely manner. Different individuals should be responsible for the reconciliation process than are responsible for initiating, recording and authorizing the transactions or activity. Special attention should be given to who should be responsible for investigating and resolving discrepancies, taking into account appropriate **separation of duties**. Finance should support the design of the reconciliation system. The reconciliation procedures should be documented so that anyone, including auditors and donors can easily understand the reconciliation practices and who was involved and responsible during each step.

Consider:

* Documents necessary to complete each type of reconciliation
* The steps in the reconciliation process
* Who performs each step
* Expectations regarding timeliness
* A mechanism for providing proof that all activity has been reviewed and reconciled
* How the process is linked to the feedback and complaint mechanism
* How the process is linked to the service provider's support system
* A procedure for error correction
* Final reconciliation and closure of the project
* Record organization and retention

*Inform, train and authorize staff and volunteers.*

Everyone involved in the CBP should be knowledgeable and clear on their responsibilities. CBP staff will be responsible for the bulk of the reconciliation process during the program implementation. However, Finance should validate financial reporting and reconciliation to ensure financial accountability during implementation and closure. Logistics and third parties will also regularly cross-check records with the CBP.

*Review and match transactions and activity with supporting documentation.*

You should expect to receive reports from the SP on a regular basis, sometimes daily, showing the status of the individual encashments. The SP reports should be in a contractually agreed upon format and include the information needed to match and reconcile transactions. Account balances and stock inventory should be reconciled to appropriate documentation. Internal (relief) transaction records should agree with external information (bank and account statements, service provider reports, logistics stock count and commodity reconciliation report).

*Document and track add-ons, unclaimed, cancelled, reissues and expired.*

There are several reasons why people eligible for assistance may not have been on the original beneficiary list, did not claim their cash or other item at the distribution point, or had a problem with encashment. All activity related to beneficiaries that are "add-ons, unclaimed, cancelled or reissued" should be documented separately and tracked to completion. Those that have expired should be noted.

*Document, investigate, resolve any discrepancies.*

A separate record should be kept of all discrepancies and concerns, how it was resolved, who handled it and approved it. Take immediate action to resolve errors or discrepancies noted during the reconciliation process and follow up to ensure that errors are corrected. Be sure to take into consideration outstanding beneficiary issues, return of funds not received or collected by the beneficiary, and account deactivation periods as these will need to be monitored and reconciled regularly also.

*Final Reconciliation and Close*

A final reconciliation at the closing of the operation or project verifies there are no outstanding discrepancies, beneficiary issues, or concerns; all documentation is complete; all fees have been paid; and, all payments and refunds have been completed.

*Manage and maintain documentation according to the SOPs and the Records Retention Policy*

Records should be kept secure at all times to prevent unauthorized access, loss, or damage. All reconciliation records and supporting documentation should be maintained according to the Records Retention Policy.

**DOCUMENTATION**

Anything in paper or electronic form that provides evidence for a transaction, who has performed each action pertaining to the transaction, and the authority to perform such activities are all considered within the realm of documentation. Proper documentation not only provides evidence of what has transpired but also provides information for researching discrepancies.

Below is a list of documents typically used for reconciliation of in-kind distributions and CBP:

**Reconciliation Documents List by Delivery Method**



Using the forms and templates provided in the tools section below will help ensure the proper recording of transactions. Use attachments or footnotes to document the reasons for corrections and adjustments to any records. In case of a system with an extensive use of ODK or other mobile data collection tools, the set up of an online platform for showcasing evidences would be needed.

***All reconciliation records and supporting documentation, paper and electronic, are kept according to the RC/RC record retention policies.***

**TOOLS**

|  |  |
| --- | --- |
| Tool | Purpose |
| **Reconciliation Checklist** |
| Reconciliation Checklist | Step-by-step procedures and responsible party (featured below) |
| **Beneficiary Reconciliation**  |
| Instructionsfor Beneficiary Reconciliation Worksheet | Instructions on how to use the Beneficiary Reconciliation Worksheet. |
| Beneficiary Reconciliation Worksheet | Spot check, monitor and reconcile beneficiary information. |
| **NFI Reconciliation**  |
| Instructions for NFI Reconciliation Worksheet | Instructions on how to use the NFI Reconciliation Worksheet. |
| NFI Reconciliation Worksheet  | Reconcile NFI movement and inventory.  |
| **Third Party Reconciliation**  |
| Third Party Reconciliation Worksheet | Reconcile Red Cross/Red Crescent records with Service Provider records. Can be used at the encashment site and/or as a summary of activity to date. |
| **Cash Reconciliation**  |
| Cash Reconciliation Worksheet | Reconcile cash movements and cash on hand. |
| Cash Release and Return Form | Track release and return of funds to/from field personnel. |
| Safe Count Form | Document monies on hand. |
| **Inventory Reconciliation**  |
| Inventory Movement Control Sheet | Track all inventory movement and balance. |
| Inventory Master List | Document all inventory received into custody. |
| Inventory Reconciliation Worksheet | Reconcile inventory periodically. |
| Inventory Release and Return Form | Track release and return of inventory to/from field personnel. |
| **Encashment Tracking** |
| Unclaimed Encashments Tracker | Track all unclaimed funds. Can be used as certification of agreement of claimed and unclaimed encashments at the distribution site and/or to track unclaimed funds to date. |
| Encashment Issues Tracker | Track all add-ons, cancellations, reissues and expirations. |

**CHECKLIST**

|  |  |
| --- | --- |
| **Step** | **Responsible** |
| ***Design and document the reconciliation procedures*** |  |
| Conduct or obtain risk analysis. |  |
| Map out the flow of funds from initial approval for funds to beneficiary receiving funds. |  |
| Map out what documents record each point that funds change hands (person, entity or account). |  |
| If documentation does not exist to capture each transaction, activity or "change of hands" then design forms or templates that will serve as documentation. *Use* s*tandardized forms and templates throughout the project. Any changes to the tools should be approved.* |  |
| Designate who is responsible for each step in the reconciliation process based on current or proposed CBP staffing. |  |
| Document the steps in the reconciliation process and who is responsible for each step.  |  |
| Document when each reconciliation should be initiated and expectations on when it should be complete. |  |
| ***Inform, train and authorize staff and volunteers*** |  |
| Inform staff and volunteers of the procedures, the purpose of the procedures and what their responsibilities are.  |  |
| Communicate how to keep documents secure and the responsibility to do so. |  |
| Provide training if necessary. |  |
| Grant authorizations. *Delegation of Authority signed and filed.* |  |
| ***Review and match transactions and activity with supporting documentation***  |  |
| Review record of transactions and activity at each pre-specified interval listed in the reconciliation procedures. *Use appropriate forms and templates to document the review process.* |  |
| Note unusual looking activity, concerns over a possible trend or other general observations. |  |
| Match transactions and activity with the supporting documentation. |  |
| ***Use appropriate template to document and track add-ons, unclaimed, cancelled and expired*** |  |
| Document recipients added to the beneficiary or distribution list after the original beneficiary list was completed. Date and authorization to do so should be clear and evident. |  |
| Document which recipients did not receive funds or items. Note any concerns or trends. |  |
| Document any cancelled and reason. Note any concerns or trends. |  |
| Document expired grants, value cards, vouchers, etc. |  |
| ***Document, investigate, resolve any discrepancies*** |  |
| Document discrepancies. |  |
| Investigate discrepancies that need further attention. |  |
| Cross-check any discrepancies that need further attention and any other notable items of attention with CRM, Logistics, Finance, Merchant and/or Service Provider. |  |
| Track progress towards resolving issues and who is working on it. |  |
| Resolve discrepancies within appropriate timeframe. |  |
| ***Perform final reconciliation and close***  |  |
| Verify there are no outstanding discrepancies or beneficiary issues. |  |
| Verify all documentation is complete. |  |
| Verify all fees, payments and refunds have been completed. |  |
| ***Manage and maintain reconciliation records and supporting documentation***  |  |
| Organize and file all documentation as specified in the SOPs. |  |
| Maintain records according the the *Record Retention Policy*. |  |