

# A TALE TWO RECS

----- Think all balance sheet reconciliations are the same? -----

## Reconciliations

**Approach:** Preparer reconciles to the period's ending balance and the entire account balance is validated for accuracy and relevance each time the reconciliation is performed.

### **Error Detection Rate: HIGH**

This method requires that the entire account balance be validated each time the reconciliation is performed, giving little room for errors, stale items and "creative accounting" to hide.

### **Internal Control Strength: STRONG**

This method earns its place as a top fraud control due to the thoroughness and frequency of the review activity. As reconciliations are a critical activity performed during close and financial reporting, accountants cannot afford to take shortcuts in this exercise.

**THE REAL DEAL**

**VS**

## Roll Forwards

**Approach:** Preparer presents a beginning balance and reconciles by reviewing the current period activity for accuracy to arrive at the ending balance.

### **Error Detection Rate: LOW**

This method reviews only the current period activity each time the reconciliation is performed, giving lots of room for errors to occur and items to age, since previous balance activity is ignored.

### **Internal Controls Strength: WEAK**

A properly performed roll forward is a good secondary control that complements a reconciliation. Unfortunately, it's often incorrectly performed by simply displaying a list of GL transactions for the period, which makes for a weak internal control.

**JUST A WEAK SUBSTITUTE**