Agenda

- Why is it so important to be in balance?

- Where do the Company/Broker payable entries come from?

- Recognize how Company/Broker payables get out of balance.

- Learn the three steps to validate Company/Broker payables.

- Resolve typical "out of balance" situations.

- "Clean out" Company/Broker payable balances, when appropriate

Why Reconcile?

- Validate General Ledger Balances

- Premium trust fund management

- Find the billing errors

- Transaction and Premium Payable View on Client Transaction

How a Transaction Affects the GL

$1,000 PREMIUM @ 10% AGENCY COMMISSION

Assumptions: Accrual Basis for Agency Bill

	Cash		Accounts Receivable		Company Payable		Agency Commission Income	
	DR	CR	DR	CR	DR	CR	DR	CR
Invoice Transaction			$1,000.00			$900.00		$100.00
Payment received from client	$1,000.00			$1,000.00				
Reconcile Company Payable								
Pay Company		$900.00			$900.00			
Totals posted to GL	$1,000.00	$900.00	$1,000.00	$1,000.00	$900.00	$900.00	$ -	$100.00
Net change posted to GL	$100.00 increase		zero		zero		$100 increase	

Write a check to a Company or Broker

- Credit Cash Journal

- Debit Company Payable
  - > It's in balance, right?

- Assumptions
  - > PPE on the disbursement matches the PPE on the Epic transaction.
  - > Company has refunded all return premiums you have invoiced.
  - > Agency invoiced every item on the Company Statement.
  - > Commissions on the Epic transactions match exactly to Company statement.

- Too Many Assumptions, and no Report to Validate

Reconciliation Process

- Flags transactions being paid or refunded.

- Removes the transaction from the "Unpaid" listing

- Associates the statement to the transaction

- No affect on General Ledger, unless
  - Adjust Commission
  - Write off

- Reports can be run to validate Paid or Unpaid transactions

Out of Balance Situations

- Pay a Company – Don't Bill the client

- Pay a Company – Don't Reconcile the Item

- Deposit a Refund Check – Don't reconcile item during the Receipt process OR don't Reconcile, Associate and Finalize the Statement

- Reconcile a payable – Don't issue a check

- Prepay a Company/Broker (Premium paid in August for a September renewal)

- Apply Direct Bill Commission to Premium Payable Account in error, or vice versa

- **THREE STEP PROCESS**
  - > Are the payables in balance?
  - > Are there companies/brokers listed on the Balance Sheet that are NOT on the Balancing Premium Payables Report?
  - > How old are the unpaid items?

- **Step 1: Are the Payables In Balance?**
  - > Generate Journal Entries
  - > Run Balancing Premium Payable Reports
  - > Compare balance of unpaid items to the GL Balance
  - > Do they match?

- **Step 2: Are there companies/brokers listed on the Balance Sheet that are NOT on this Summary?**
  - > If discrepancies found, locate the companies on the Balance Sheet that are NOT on the report, run the Status of Accts

Step 3: How old are the unpaid items?

> Run the "Aged Current Premium Payables" Report

> Review detail for items over 60 days old

Cleanup the Premium Payables

- **Filter for Suspended, Unpaid or Closed Statements**
  - > These are not "finished"
  - > Need to be Associated to a GL Item or Finalized, or both
  - > Never "Close Without Paying"
    - Create a Journal Entry to use to Associate to zero balance statements

- **Resolve Discrepancies**
  - > Run a Status of Accounts for the out of balance entity
  - > Which items on the Status of Accounts do not have Finalized Statements?
  - > Check the Company or Broker Payable Title Accounts
    - Should be zero

Clean Out the Closet!

- **Did you inherit a mess, or have Premium Payables never been processed correctly?**
    - > Refer to the Handout for steps to "clean out" the Premium Payables

Keep Payables Squeaky Clean

- **Always reconcile PRIOR to paying the Company/Broker**

- **When refunds are received – 2 ways to keep clean**
  - > Select the items or Finalized Statement during the Receipt process
  - > Enter the Deposit to the appropriate Premium Payable GL Acct
    - Reconcile the statement
    - Associate the Statement to the Deposit Ref #
    - Finalize the Statement

- ***Remember, if you "touch" a Company/Broker Payable GL account, you must reconcile to stay in balance!***

Thank you!

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