
BlackLine FAQ #2: Post-Implementation Results

Background

After BlackLine has been implemented and utilized for at least two months at a Brink's subsidiary, a "Post-Implementation" review is performed in which a sample of accounts is selected and reviewed to identify areas for improvement and increased efficiency. The purpose of this Learn Once, Globally is to summarize common improvement points identified during Post-Implementation reviews that have been performed through August 2013.

Improvement Point 1: Use of Inappropriate Subledgers:

A subsidiary ledger (subledger) is a detailed listing of specific underlying assets or liabilities which comprise an account balance, independent of the general ledger as of a period end. Approximately 35% of the accounts reviewed during the Post-Implementation process used an inappropriate subledger. The improvement points identified can generally be segregated into the following groups:

- In the majority of instances where an inappropriate subledger was identified, a rollforward was attached in BlackLine as the subledger. A rollforward (list of activity in the account balance from the beginning of the period through the reporting date) is not an appropriate subledger because the beginning balance is not properly supported and the current period activity is derived from the general ledger (GL), not an independent source.
- In certain reconciliations reviewed the subledger consisted of a list of journal entries that made up the account (some reconciliations included journal entries dating back several years). A list of journal entries is not an appropriate subledger because it is not independent of the GL.
- In some instances, no documentation was attached in BlackLine to support the subledger balance.

An appropriate subledger should be a detailed listing of specific assets or liabilities that make up the account being reconciled. Examples of appropriate subledgers include:

- For a prepaid expense asset account – a list of prepaid assets by vendor and / or invoice.
- For a bonus accrual – a calculation of the bonus accrual with descriptions of the inputs and assumptions used in the calculation.

A Learn Once, Globally titled "BlackLine FAQ 1" was published in the second quarter of 2012 which includes additional examples of appropriate subledgers.

Improvement Point 2: Documentation / Support for Reconciling Items:

Approximately half of the reconciliations reviewed during the Post-Implementation process did not appropriately document / support reconciling items included in BlackLine. The most common examples of inappropriate documentation include:

- Including journal entries as support for reconciling items. As stated above, journal entries are not independent of the GL and, therefore, do not adequately support differences between the GL and subledger.



- Failure to attach support for a reconciling item. The BSAR policy requires support to be attached for each reconciling item. Including a description of the reconciling item is not sufficient.
- Failure to include a description of the reconciling item. In some reconciliations, supporting documentation was attached. However, a description of the support and how it related to the account being reconciled was not included. The BSAR policy requires that clear and complete explanations are included for each supporting item.
- Certain subsidiaries continued to prepare reconciliations outside of BlackLine after implementation and then attached the externally prepared reconciliation as a supporting item in BlackLine. This is not appropriate. After implementation, BlackLine should be the primary method for completing account reconciliations. By not preparing reconciliations within BlackLine, BCO is unable to aggregate required adjustments and reconciling items to determine whether modification of the consolidated financial reporting is required.
- The financial statement impact of required adjustments is not specified. The BSAR policy requires the preparer of the reconciliation to designate any required adjustments (misstatements) as either “Balance Sheet Only”, “Income Statement Debit” or “Income Statement Credit”. If no selection is made, BCO is unable to aggregate required adjustments in order to determine whether modification of the consolidated financial reporting is required.
- In certain instances unresolved differences between the subledger and GL were included as reconciling items. If the reason for the difference between the subledger and GL is not known or is pending further investigation, it should not be included as a reconciling item. This is an unidentified difference. And if it exceeds the USD 25 thousand threshold in the BSAR policy, the reconciliation should not be certified until it is resolved.

Improvement Point 3: Inclusion of a Purpose and Procedures:

More than half of the reconciliations reviewed during the Post-Implementation process did not include a description of the purpose of the account or a description of the procedures performed to reconcile the account. BSAR policy requires that a purpose and procedure are included in sufficient detail so that an independent reviewer may understand the contents of the account and the steps required to complete the reconciliation. In addition to allowing an independent reviewer to understand the reconciliation, this is important so that, in the event of turnover or extended leave of key personnel, knowledge of the account and reconciliation process is not lost.

Please contact Corporate Accounting if you have any questions or issues when using BlackLine.