RECONCILIATION OVERVIEW

What is a reconciliation - Reconciliation is a process which includes comparing two sets of records to check that figures are correct and in agreement. Businesses use reconciliations to verify that transactions in the general ledger are accurately recorded.

Common reconciliations cannabis businesses experience:

1. **Bank reconciliations** – reconciling bank activity or cash log activity to accounting records is the most common reconciliation. Oftentimes when reconciling bank activity with accounting records you will have uncleared checks and deposits in transit at the end of an accounting period. Unreconciled items should be checked for reasonableness.

2. **METRC reconciliations for Retailers** – a best practice for retailers is to first reconcile METRC sales to their POS system sales. If errors are common, operators should consider reconciling these totals on a daily basis. METRC sales will not include non-marijuana or paraphernalia/accessories sales, so identifying those transactions and subtracting them from the POS system totals are an important step to an accurate reconciliation.

3. **METRC reconciliations for Growers/Processors** – Growers and Processors should consider reconciling their METRC wholesale transfers with their sales or accounts receivable general ledger to verify that the information entered into METRC matches the total invoice price sent to the customer.

Common errors to look for:

1. **METRC reconciliations for Retailers** – Common errors when reconciling METRC to a POS system include employees not closing out drawers properly, POS system connection issues not pushing transactions up to METRC, METRC system connection issues causing manual upload, POS system pushing multiple transactions to METRC when only 1 occurred, deliveries being recorded gross with sales tax on METRC manifest, and misclassification of non-marijuana products in the POS system are all very common issues that created the need to reconcile the two systems.

2. **METRC reconciliations for Producer/Processors** – Common errors when reconciling METRC to invoices/ general ledger activity include METRC employee and accounting employee not entering the same unit prices, product being rejected and not corrected on an invoice, product being white labeled and shipped and billed by two different operators.

Other considerations: When reconciling these items you may notate a variance and many times be able to correct the issue, as accounting records can be corrected. Licensees should open tickets with METRC and their POS system provider to try to rectify all issues first before just documenting and allowing the error to remain. Completed/accepted METRC manifests cannot be corrected in METRC and businesses should consider notating reconciliation differences throughout the year that cannot be corrected so that when the error is noted on the AFS report the licensee has a record of why that error occurred.