

Reconciliations

Local Government Services

Objectives

- What is a reconciliation?
- Timing of reconciliation
- What items are needed?
- Helpful hints
- Problems that have been encountered



What is a Reconciliation?

The process ensuring that cash balances presented in the cash journal are in agreement with depository balances.

Reconciliation



When Should you Perform Reconciliation?

MONTHLY –

... within the first week of the new month is best.



Why is it Important to do this Monthly?

Many reasons:

- ✓ The process allows you to determine if all items have been recorded in the system as well as posted correctly. If there is a discrepancy, this can be corrected fairly quickly.
- ✓ The accuracy of the transactions within the system allows the Council or Trustee to have an accurate and up to date information to make the best decisions for the government.

Why is it Important to do this Monthly? *(cont'd)*

- ✓ A new fiscal status concern – fiscal caution. If a township, municipal corporation, or county has not reconciled its accounting journals and ledgers with the treasury treasury/bank for more than three months and is unable to reconcile the records within one month of written notification by the Auditor of State.
- ✓ Unauditable letters – Auditors can declare entities unauditable due to reconciliations not being performed or for them being so poorly presented.

Example of Reconciliation Issue:

| | |
|--------------------|--------------------|
| Bank Balance: | \$ 100,000 |
| Outstanding Checks | \$ (15,000) |
| Deposit In Transit | <u>\$ 5,000</u> |
| Total | \$ 90,000 |
| | |
| Book Balance | <u>\$ 100,000</u> |
| Variance | <u>\$ (10,000)</u> |

Corrections found when Recalculate the Reconciliation from the \$10,000 Variance

Deposits not posted - \$150,000

- General Fund \$10,000
- State Highway Fund \$30,000
- Water Fund \$110,000

Wire Transfers not posted - \$160,000

- General Fund \$160,000

Total Adjustment by Fund

| | |
|-------------------------------------|--------------------|
| General Fund | \$ (150,000) |
| State Highway Fund | \$ 30,000 |
| Water Fund | <u>\$ 110,000</u> |
| Overall Total Variance to all Funds | <u>\$ (10,000)</u> |

General Fund Affect



| | |
|--|--------------|
| General Fund Balance Before Adjustment | \$ 75,000 |
| Adjustments from corrections | \$ (150,000) |
| Accurate General Fund Balance | \$ (75,000) |

General Fund went from positive balance to a negative balance and the reconciliation was only off \$10,000.

Are You Able To Reconcile Other Than Monthly?

- ✓ Most banks send their bank statements after month end. That is why it is required to be done monthly.
- ✓ If you have access to your bank accounts on-line, the option to check off checks and deposits cleared on bank to system can be done daily or weekly to lessen the load at month end. Many banks offer the on-line services for no cost.



HELP – I am new and something seems wrong

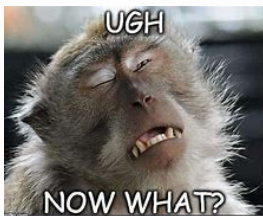
Tips to Determine if There is an Issue

- ✓ Ask for the latest bank reconciliation performed by Clerk/Finance Director.
 - Also determine if Council/Trustees are receiving a copy monthly
- ✓ Look at the bank reconciliations and determine if there is a large reconciling item amount listed
 - Does the reconciling items have descriptions for each item and amounts?
 - If no descriptions are listed for each amount, ask what they are?

Tips to Determine if There is an Issue *(cont'd)*

Now what?

- ✓ Depending on how many months it is behind, you will need to start at the last reconciled month with no issues and move forward
 - Options: in-house or contract
- ✓ If you have several reconciling items, you need to check following:
 - Is the amount fixed in following month
 - Is the amount getting larger or fluctuating



Items Must Have . . .



- ✓ All Bank Statements
 - Checking, Savings, CDs, Investments
- ✓ Computer System or Manual Cash Journal

It's Time to Start the Reconciliation Process

- ✓ Bank balances from bank statements need input into reconciliation
- ✓ Investment balances on system should be reviewed and updated at end of month to match statements, if they are CDs, savings, and STAROhio
 - If they are an investment that has market value, do not match statement to reconciliation as this is posted at purchase price until sold



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Tip #1

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Whether it is deposits, checks, electronic receipts or withdrawals, or interest earned, use a pencil to mark items on the bank statement and system reports to show what matches. Items that aren't marked off the statements and/or the system reports will be reconciling issues.

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Tip #2 - Revenue

Deposits on bank statement need to be matched to the receipts posted to system:

- ✓ Some systems make you mark receipts on system when matched to bank deposits
- ✓ Receipts posted but not on bank statement at end of month, should be listed as Deposits in Transit reconciling item
- ✓ Any receipt that doesn't match deposit slip needs to be listed as reconciling item for the amount that doesn't match

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Tip #3 - Revenue

Electronic Receipts on Bank Statement:

- ✓ ay or may not have received documentation in mail or via email
- ✓ Determine if it is posted in system
- ✓ Find source of receipt

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Tip #4

Bank Corrections:

- ✓ May note during the month or the month prior, a receipt on system doesn't match bank. If bank caused error, they will show correction.
- ✓ Bank correction needs matched up to the potential reconciling item in prior month or the original receipt
- ✓ Be aware of NSF and additional charges

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Tip #5 - Revenue

Things to Remember:

- ! Property Tax Revenue is posted at gross amount. To make sure it is posted correctly per bank, the deductions must be included with gross amount to reach net that was received.
- ! Income Tax Revenue collected by outside company has fees. Therefore, it is posted at gross with deductions just like property tax revenue.

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Tip #6 - Revenue

Things to Remember:

- ! Interest is only shown on statements and needs posted or it is a reconciling item.
- ! Investment interest needs to be flagged to hit investment account on system to allow the investment balance match the investment statements. Example – STAROhio
- ! NSF on receipts returned – Make sure it is matched up with the original receipt when received

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Tip #7 - Expenditures

Checking Account Cleared Checks:

- o Cleared checks on bank statements need marked in system
- o Double check that amounts of the cleared check on bank to the system
 - o Any differences should be listed as reconciling items on bank reconciliation and researched
- o Checks not cleared will be listed as outstanding checks

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Tip #8 - Expenditures

Outstanding Check List:

- ! Review the outstanding check list monthly.
Please note if any checks are over 6 months old or older. If they are, consider calling vendor or person listed on check to determine if it was received or sent in error

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Tip #9 - Expenditures

Wire Payments or Electronic Debits:

- ✓ Most wire payments shown on bank statements are debt payments. These items must match memo expenditures posted in system
- ✓ Any item listed on bank as debit or expense not related to check must be posted in system or it is reconciling item

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Tip #10 - Expenditures

Bank Charges:

- ! Several banks have a monthly bank charge. This is only listed on statement and must be posted to system.
- ✓ At times, bank charges are for new checks issued and that is also listed on bank.

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Tip #11 - Expenditures

Things to Remember:

- ✓ All memo charges posted in system must be listed on bank statement
- ✓ Checks that are voided – make sure they are noted in the system. This keeps the outstanding check list up to date

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Tip #12 - Investment Accounts

Possible Items:

- ? Receipts for investment is possible movement of money from another bank account to investment.
 - No receipt posted
- ? Deduction from investment possible movement to another bank account. – No expenditure posted
- ? Other items

IT BALANCES!!

No greater feeling than when you have reached the end and the books reconciled to the bank.



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