Bank Reconciliations and Proof of Cash

A monthly report used to check and explain the differences between the cash balance in the accounting system and the bank statement balances

Bank Reconciliations (cont'd)

Gather Documents
- Bank Account Statements
- Investment Account Statements
- Fund Balance Report
- Revenue Journal
- Deposit Slips
- Check Register
- Outstanding Check List
Bank Reconciliations (cont'd)

Elements
- Book Balance
- Reconciling Items
- Bank Balance(s)
- Variance

Bank Reconciliations (cont'd)

Additional Items to Review
- Memo Receipts/Expenditures
- Electronic Fund Transfers
- Interest
- Transfers/Advances
- Bank Fees

Bank Reconciliations (cont'd)
Proof of Cash

A roll forward of each line item in a bank reconciliation from one period to the next

- Identify discrepancies in payments and receipts recorded in the system
- Identify errors that cause the book and bank balances not to reconcile on the monthly bank reconciliation
- Also used to assist in identifying fraud

Proof of Cash (cont’d)

Identify the period that the proof of cash will cover

- Will depend on the length of time that errors or unidentified reconciling items have appeared on the bank reconciliation
- The period could cover one month or many years

Proof of Cash (cont’d)

Gather Documents

- All Bank Statements
- Fund Balance Report
- Revenue Journal
- Check Register
- Cash Journal
- Transfer/Advance Report
- Outstanding Check List
Proof of Cash (cont’d)

Prepare a spreadsheet

- One detailed tab for each month in the period
- Work one month at a time
- One summary tab with all identified adjustments from all months in period
- Do not make any adjustments until fully finished with the Proof of Cash (all months in the period are complete)

Proof of Cash (cont’d)

Common Issues

- Deposits in transit clear in the next month
- Payments automatically withdrawn from the bank account
- Returned checks
- Auditor and Treasurer Fees
- Fund Transfers
- Bank Transfers
- Corrections posted for outstanding reconciling items
- Bank statement dates are mid-month

Proof of Cash (cont’d)

<table>
<thead>
<tr>
<th>General Township</th>
<th>Proof of Cash</th>
<th>December 31, 20X8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>December</td>
</tr>
<tr>
<td></td>
<td>12/31/20X8</td>
<td>11/30/20X8</td>
</tr>
<tr>
<td>January 20X8 - Payments not posted, 12/31/20X8</td>
<td>73,460.79</td>
<td>73,460.79</td>
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<tr>
<td>March 20X8 - Deposit not posted, 1/31/20X8</td>
<td>5,359.70</td>
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<td>November 20X8 - Bank transfer, 11/30/20X8</td>
<td>1,920.48</td>
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<td>Any Bank Reconciliation</td>
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<tr>
<td>Outstanding checks</td>
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<td>Deposits in transit</td>
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<td>7,621.00</td>
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<tr>
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