Bank Reconciliation Procedure

Reconciliation, on a regular basis of bank statements, is imperative for good financial management of a school district. One method for performing a bank statement reconciliation is outlined below.

Reconciliation Procedure

1. Obtain bank statement(s) from banking institution(s).
2. Sort cancelled checks into ascending sequence by check number if they are not returned in this order by the banking institution(s).
3. Using the USAS program RCNCLE or AUTOREC, reconcile all checks that have been cleared, (cancelled and returned), by the banking institution(s)
   The RCNCLE program has both a single check and multiple check option. When you have large numbers of sequential, (contiguous), checks that are to be reconciled the multiple check option should be utilized.
   Please note that only the following check types need be reconciled with
   this program:
   W - Warrant
   C - Clearance/Payroll
   B - Refund
   I - Investment
   T - Transfer

4. Using the USAS program CHEKPY, generate a check register report asking for only "Outstanding" checks and using the selection option selecting all checks through the current date. This report should show only those checks which are still outstanding, (i.e.-- checks issued, but not yet cleared through the banking institutions).
5. Using the USAS program FINDET, generate a summary financial report.
6. Add to the total current available balance, (from the FINSUMM report), the total of the outstanding checks from the outstanding check register report, (Step #4). Subtract from this total any deposits posted to the computer system that have not been credited to your account by the banking institution. (This last item would typically be due to a deposit made late in the month that was posted on the computer, but was not posted by the bank on the current bank statement).
7. Compute the total of all bank statements, change funds, petty cash funds, and investments.
8. Compare the total from Step #6 with the total from Step #7. If they are identical, the banks statements agree, (i.e.---are reconciled), to the financial statement from the computer system. If this is the case, you are finished with this procedure.

Identifying Reconciliation Errors
If the statements do not reconcile, a number of conditions could be the cause of the problem. Listed below are steps which can be taken to identify the discrepancy.

- Using the USAS program FINDET, generate a detailed financial report for the accounting period in question. Compare the total available balance as shown on this report with the total available balance as shown on the summary financial report, (from Step #5 above). If the totals do not agree, attempt to isolate the problem to a particular fund, and from there to a particular transaction. The most likely cause of this issue would be an inaccurate date entered on a transaction or series of transactions. Contact ACCESS for assistance in making corrections when these two financial reports do not reflect identical totals.
- If the computer shows more money than the financial institution(s), the following items should be checked:

- o Check to insure that only those checks which have not yet cleared the bank(s) are reflected on the "Outstanding" check register report from ==Step #4, (above). Make certain that all "memo" transactions have been posted against the computer system, (e.g.--- STRS Employer's Share).==
- o Check to see that all deposits made are reflected on the bank statement. It is possible that a deposit made, and posted on the computer system, was not credited on the bank statement(s), or was credited for a different amount.
- o Check to see that a deposit was not "double-posted" on the computer, (i.e.---entered twice on two different receipts).

If the computer shows less money than the financial institutions(s), the following items should be checked:

- Check to insure that a check that is still outstanding is not missing from the "Outstanding" check register report from Step #4, (above). If the reason for a check not showing up on the report is because it was mistakenly reconciled, use the program RCNCLE and reverse reconcile the check. If the check was never reconciled, but is still missing from the "Outstanding" check register report, you will need to obtain assistance from Ae personnel in correcting this situation.
- Check to see that all Change Funds, Petty Cash Funds, and Investments have been accurately reflected in the total from Step #7, (above).
- Check to insure that all deposits shown on the bank statement(s) have been posted on the computer system.
- Make certain that all interest income has been deposited on the computer system.

Additional Tips

Verify reconciled checks

- If the bank statement contains a total of checks cleared, run CHEKPY for the reconciliation date used to verify the amounts match. Be aware that any wire transfers and other transactions must be subtracted from the bank statement.

Verify all checks were entered into the system

- Run CHEKPY in check number order and look for gaps in the numbers. The report will print an "*" to indicate a gap. There is also the reverse option to print missing check numbers.

Calculation to verify the outstanding check amount

- Outstanding checks from prior month
- Plus all checks issued during month
- Minus all checks that cleared (from bank statement)
- Minus checks voided during the month
- Equals outstanding checks at the end of the month

Memo entries

Double check any memo entries

- State foundation payment
- Voided payroll checks
- Verify that payroll wire transfers match the amount in USAS

- Verify wire transfers for Medicare and taxes match the amount in USAS
- Check other error correction procedures were handled correctly
  - Memo checks
  - Refunds of expenditures
  - Refunds of receipts

Receipts

Verify all interest is recorded

- Check USAS receipts against deposits
- Verify RECLST against bank statement
- Balance deposit slips against receipts

Additional Tips

- Run BALMON to verify that the beginning balance matches the reconciled ending balance of the prior month.
- Run FINDET for month and fiscal year and verify the ending balance is the same.