

Department of Family and Children Services Administration Policies and Procedures Manual	Section: Financial Part: 2009 Page: 1 of 7 Date: March 2012
Title: Bank Reconciliations	

2009.0 BANK RECONCILIATION OVERVIEW

A. INTERNAL CONTROLS

1. The duties and responsibilities of personnel involved in the various accounting functions will be arranged so that a different individual handles each of the following:
 - a. Preparing checks
 - b. Signing checks
 - c. Reconciling bank statements
 - d. Handling cash receipts

B. RECONCILING BANK STATEMENTS OVERVIEW

1. Unopened bank statements are delivered directly to the reconciler.
2. Bank Statements are reconciled either by the 15th of the month or within seven (7) business days of receipt (whichever is the later date for the agency).
3. All bank statements will be reconciled to the appropriate cash account balance in the general ledger each month.
4. The reconciliation will be prepared by a person who does not write checks, sign checks, handle cash receipts, or record entries in the accounting records for the bank account being reconciled.
5. The bank reconciler must insure the bank statement deposits, the cash receipts books and cash receipts journals are in agreement.
6. The Fiscal Operation Manager will review, sign and date the reconciliation.

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2009.1 BANK RECONCILIATION PROCEDURES

A. PREPARATION

1. If cancelled checks are returned with the bank statement, checks may need to be put in numerical order for easy reference.

NOTE: In the event of an OIG Investigation, it is mandatory that the banks either return the actual cancelled checks, a CD Rom which contains the front and back of each cancelled check, or copies of the front and back of each cancelled check in with the bank statement.

2. Make a copy of the General Ledger Trial Balance showing the “Cash in Bank” accounts you are reconciling (114.101; 117.XXX (county number); etc.)

B. OUTSTANDING CHECK LIST TO DATE

Prior to clearing any check, you should run a copy of your Bank Reconciliation or the Outstanding Checks Report. This gives you a CONTROL copy to use in case you clear checks in error and need to determine what needs to be corrected.

1. Print the Bank Reconciliation

- a. In SMILE, choose “**Run Bank Reconciliation**” from the General Ledger Page.
 - b. Put in the month-end date of the reconciliation and the bank number.
 - c. Hit **ENTER** at the “**Enter starting check number to clear**” prompt.
 - d. **ADD** a record for the month-end and bank number that you are reconciling and hit **ESCAPE**.
 - e. When you exit out, you will get a print out of all outstanding checks.
2. **Print Outstanding Checks List** – This report will include last month’s outstanding checks and all checks written this month

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C. CLEARING OUTSTANDING CHECKS

1. In SMILE, choose “**Run Bank Reconciliation**” from the General Ledger Page.
2. Enter the month-end date and bank number (1,20, 21, etc.).
3. The next prompt will be “**Enter starting check number to clear**”.
 - a. Clear checks in ranges if the check numbers are consecutive. Limit this range to less than 50 checks at a time.
 - b. Clear checks one at a time by entering the same check number as the beginning and ending number until all cleared checks are entered.

NOTE: When an incorrect check number is entered, do not backspace to correct. Make note of check number and continue clearing checks. If you determine that the incorrect check number you keyed has affected your bank reconciliation, you will need to contact SMI to remove the “C” for you.

4. After keying the last cleared check, hit **Enter** at the next prompt. This will take you to the Reconciliation screen.
5. You will need to Query the **Month-end date and Bank number** for the account you are reconciling, and then hit Escape.
6. Fill in the blanks for the following:
 - a. **Bank balance** (ending balance from the bank statement)
 - d. **Book balance** (ending balance from the General Ledger Cash in Bank Accounts – 114.101, 117.XXX (county number), etc.)
 - e. **Deposit in transit** – this is deposits included in the General Ledger, but not included on the bank statement due to the deposit being made after the closing date in the statement.

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f. **Adjustments to Bank Statement** – Negative amounts will lower your bank balance. Some examples are:

- Coding errors on check amounts – Over/Under
- Bank charges/fees that will be credited back
- Check with “Stop Payments” clearing the bank

g. **Receipts Adjustments:**

- Receipts not posted to the General Ledger (positive amount)
- GIA Deposits or SSA Direct Deposits not entered
- Amount or a receipt posted twice (negative amount)
- Bank interest – keyed as a positive amount.

h. **Disbursements Adjustments:**

- Bank Charges – key as positive amounts.

NOTE: Notify the Paraprofessional Accountant that a general journal entry is required in current month’s books – crediting the Cash in Bank accounts and debiting the proper expense account.

- Voided Checks – key as negative amount. (If adjusted under the Receipts Adjustments – key as positive amount.)

i. **Receipt and Disbursement Adjustments:**

- Positive amounts increase the receipts and increase the disbursements.
- General journal entries affecting the cash accounts should be keyed under the receipt or disbursement adjustments, depending on type of adjustment.

NOTE: Each adjustment has a description field and amount field. Make sure that there are no BLANKS in the amount field or zeros where needed or the ending balance will not show when you print your statement. The system will stop calculating once it hits a blank.

7. Hit ESCAPE after entering all the above information.

8. Then EXIT. This will print the bank reconciliation. The bank reconciliation is **IN BALANCE** when the “Bank side” equals the “book side”.

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D. THINGS TO TRY WHEN OUT OF BALANCE:

1. Check to make sure you entered the book side amount correctly from the General Ledger cash account.
2. Check to make sure you entered the bank balance amount correctly from the bank statement.
3. Verify that the total receipt amounts on the General Ledger equals the amount of deposits listed on the bank statement. If not, verify that the difference is a receipt in transit for the month you are reconciling or from the previous month.
4. Check any adjustment made on the reconciliation, including voided checks. Make sure the amount is correctly entered as a positive or negative number.
5. Using the **“Outstanding Check List”** or the **Control Copy of the Bank Reconciliation**, highlight all checks cleared.
 - a. Any checks not highlighted (not cleared) should be on the last copy of your Outstanding Check List or Bank Reconciliation.
 - b. If checks were cleared in error, you will have to email SMI with the check number, check date and amount for the checks that need to be “uncleared” in the system. This could include Payroll, Travel, or Regular Operating checks.
6. Review your General Ledger Cash Account General Journal entries and ensure that for each voided check the system has been updated with the appropriate “V” or “O”.
7. You can QUERY in SMILE for the amount you are out of balance:
 - a. Go into “Transaction File for Processed Checks” on the Employee Page and QUERY the amount in the total check amount space on the 2nd screen..
 - b. Go into “Update Travel Transaction File” in Travel Page and QUERY the amount in the total check amount space.

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- c. Go into “Other Checks Update” in the General Ledger Page and QUERY. At Bank Number field, key in “1” or “20, 21, etc” and in the total check amount field enter the dollar amount you are off and hit ESCAPE.
 - d. To be more specific, you could key in a check date range in the check date field.
 - e. If the check has been cleared in error, see Step 5b above for how to correct.
8. You can QUERY in SMILE for any adjustments or voids that had to be entered in payroll:
- a. Go into “Transaction File for Processed Checks” on the Employee Page and QUERY for any checks written that month that have an “A” in the Checks Written field and ensure they have been properly accounted for on your books.
 - b. Go into “Transaction File for Processed Checks” on the Employee Page and QUERY for any checks written that month that have a “V” or “O” in the Checks Written field and ensure they have been properly accounted for on your books.
9. Compare the printed check amounts with the bank coding amounts at the bottom of the check to see if the bank is in error.
 10. If checks are not returned with bank statement, compare the amounts on the initial outstanding checks list or the Control Bank Reconciliation to the amounts on the bank statement.
 11. Watch for check numbers keyed into SMILE differently than the preprinted number on the check.
 - a. In this situation, QUERY the incorrect number in Payroll, Travel, or Other Checks Update.
 - b. UPDATE the record to the correct check number and key in “C” for cleared if it is showing as an outstanding check in error.
 - c. Make sure the responsible party also changes this number on the hard copies of month-end journal, the General Ledger, and the check copy and any documentation as needed.
 - d. Check voided checks for correct coding – “V” or an “O”.

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- e. Ensure General Journal Entries are completed for voided checks.
- f. Check for negative checks that were processed and cashed by vendors. System will cut a negative check and not have a minus “-“ sign in front of the amount.
- g. Ensure that you did not key an amount on the Child Welfare screen to your MEMO line, since this does not have an associated account number, when it pulls over to the General Ledger page, the total check amount is correct, but the individual entries for the check may not.

12. Check each day’s direct deposit totals on the bank statement against your final check register. You may find that a check was pulled back and you failed to void the check on the system.

13. Look back for emails from SMI where Direct Deposit funds may have been returned to your accounts due to bad banking information and ensure appropriate action was taken on your books.

14. Remember that checks/direct deposits completed late in the month may initially have the current month’s date on them, but once processed for direct deposit, they may be a future month’s date and will need to be considered as outstanding items on the bank reconciliation.

E. ADDITIONAL INFORMATION ON BANK RECONCILIATION

- 1. Review check dates on the Outstanding Check List for checks outstanding more than 90 days that need to be investigated. Notify the Paraprofessional Accountant of any checks 120/150 days old. Checks need to be voided before they are 180 days old.
- 2. The County DFCS office needs to be notified when checks are 90 days old to be investigated.
- 3. The bank reconciliation can be run as many times as needed to get “BALANCED” for the month you are working on. NEVER go to the next month’s bank reconciliation without balancing the current reconciliation. Contact your Unit Manager for assistance.
- 4. Although Paraprofessional Accountants and Accounting Clerks should not be completing the bank reconciliations, they need to advise the reconciler about voided checks or any adjustments or corrections that will have an impact on the reconciliation, especially voided payroll checks.