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| Department of Family and Children Services Administration Policies and Procedures Manual Title: Bank Reconciliations | Section: Financial Part: 2009 Page: 1 of 9 Date: August 2020 |
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2009 BANK RECONCILIATION OVERVIEW

A. INTERNAL CONTROLS

1. Separation of duties and responsibilities should be established for all personnel involved in the various accounting functions. In order to maintain good internal controls, the same individual should not handle all of the following functions:
 - a. Handling Cash Receipts
 - b. Processing Payments
 - c. Printing and Signing Checks
 - d. Reconciling Bank Statements

B. RECONCILING BANK STATEMENTS OVERVIEW

1. Bank statements can be delivered to the reconciler in either of these ways:
 - The mailed bank statements are hand delivered to the reconciler, within same office
 - The FOM can scan and email the bank statement to the reconciler, different office
 - The FOM downloads a copy of the bank statement from the internet and emails it directly to the reconciler
 - The FOM prints a copy of the bank statement from the internet and hand delivers 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). If the 15th of the month or within seven (7) business days falls on a weekend, then the bank reconciliations are to be reconciled by the next working day.
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 handle cash receipts, process payments, or print and sign checks for the bank account being reconciled.
5. The bank reconciler must insure the bank statement deposits and cash receipts journals agree.

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 2 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

6. The Fiscal Operation Manager will review, sign and date the completed reconciliation. In the event the Fiscal Operation Manager is completing the bank reconciliations, then their Unit Manager will review, sign and date the completed reconciliation.

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 if having issues reconciling the bank statement.

NOTE: In the event of an OIG Investigation, it is mandatory that the banks either:

- Return the actual cancelled checks
 - Send copies of the front and back of each cancelled check
 - Send a CD which contains the front and back of each cancelled check
 - Provide the Fiscal Operations Manager access to the bank account on-line so that the front and backs of checks can be retrieved
2. Print and attach a copy of the Closed General Ledger Trial Balance for the month reconciling which shows the “Cash in Bank” account(s) you are reconciling (114.101; 117.XXX (county number); etc.)
 3. Prior to clearing any check, you should run a copy of your Bank Reconciliation. This gives you a CONTROL copy to use in case you clear checks in error and need to determine what needs to be corrected.
 4. 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 printout of all outstanding checks.

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 3 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

f. Answer “N” when prompted until final balancing is complete.

B. CLEAR OUTSTANDING CHECKS

1. In SMILE, choose “**Run Bank Reconciliation**” from the General Ledger Page.
2. Enter the month-end date and bank number (1,8, 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. You may want to limit the range to no more than 50 checks at a time. However, the system does allow up to 100 checks to be cleared at a time.
 - b. Clear checks one at a time if they are not consecutive order 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 a note of the check number or sequence of check numbers 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.
 - Control “C” out of the check sequence you are clearing. However, if you choose this option you will have to re-clear all checks that had already been cleared when you Control “C”.
4. After keying the last cleared check, hit **Enter** at the next prompt. This will take you to the Reconciliation screen.

C. ENTER RECONCILING ITEMS

1. You will need to Query the **Month-end date and Bank number** for the account you are reconciling, and then hit Escape.
2. Fill in the blanks for the following:

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 4 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

- a. **Bank balance** (ending balance from the bank statement)
- b. **Book balance** (ending balance from the Closed General Ledger Trial Balances Cash in Bank Accounts – 114.101, 117.XXX (county number), etc.)
- c. **Deposit in transit** – this is deposits included on the Closed General Ledger Trial Balance, but not included on the bank statement due to the deposit being made after the closing date in the statement.
- d. **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
 - ACH withdrawals such as PSR, ERS, TRS, FFL and Taxes that have not posted to the statement
- e. **Receipts Adjustments:**
 - Receipts not posted to the General Ledger (positive amount)
 - GIA Deposits or SSA Direct Deposits not entered (positive amount)
 - Amount or a receipt posted twice (negative amount)
 - Bank interest (positive amount)
- f. **Disbursements Adjustments:**
 - Bank Charges (positive amounts)
 - Direct Deposits pulled from the bank but posted to next month due to early closing (positive amounts)
 - Voided Checks – key as negative amount. (If adjusted under the Receipts Adjustments – key as positive amount.)

NOTE: Receipt and Disbursement Adjustments

- Positive amounts increase the receipts and increase the disbursements adjustments
- General journal entries affecting the cash accounts should be keyed under the receipt or disbursement adjustments, depending on type of adjustment be careful when deciding if it should be a positive or negative figure

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 5 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

NOTE: Each adjustment line has a description field and amount field. Make sure that there are no BLANKS in the amount field, or the ending balance will not show when you print your statement. The system stops its calculations once it hits a blank amount field.

3. Hit ESCAPE after entering all the above information.
4. Then EXIT. This will print the bank reconciliation.
5. Answer “N” when prompted until final balancing is complete.
6. The bank reconciliation is **IN BALANCE when the “Bank side” equals the “book side”**.

D. BANK RECONCILIATION CLEANUP

1. Once you have identified your bank reconciling items, make copies of the documentation that supports what needs to be corrected and attach them to your bank reconciliation. All reconciling items are to be corrected within 60 days.
2. Monthly, the Fiscal Operations Manager or the reconciler should provide the staff with a list of any checks that are more than 90 days old that need to be investigated with the county or vendor. This includes Bank 1, Bank 8, and the restricted fund county accounts.
3. Monthly, the Fiscal Operations Manager or the reconciler should provide their staff with a list of any checks 120/150 days old that need to be voided before they become stale dated at 180 days. This includes Bank 1, Bank 8, and the restricted fund county accounts.

State Funded Checks that are voided in the same fiscal year that they were issued are journalized to the original account with a General Journal Entry.

State Funded Checks that are voided in the following fiscal year that they were issued are journalized to the account called “Due to DHR” (214.225) with a General Journal Entry. If it is a Child Welfare check, override the account number on the Child Welfare Module as well and use the Due to DHR Account (214.225) instead of the normal expense account.

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 6 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

Restricted Funded or County Funded Checks that are voided are journalized to the original account with a General Journal Entry.

4. If it is determined by the DFCS case manager that a voided check needs to be reissued, the case manager can either provide a copy of the original paperwork or can ask the Regional Accounting office to look up the original check and make a copy of the original paperwork to use for reprocessing.
5. If the original paperwork or filed check cannot be located, the DFCS case manager will need to submit a new set of documents with appropriate signatures for processing.

E. ITEMS TO LOOK FOR WHEN OUT OF BALANCE

1. Check to make sure you entered the ending balance on the book side correctly from the Closed General Ledger Trial Balance 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 Closed General Ledger Trial Balance equals the amount of deposits listed on the bank statement. If not, verify that the difference in the receipts is accounted for on your bank reconciliation.
4. Check all adjustments keyed on your bank reconciliation. Make sure the amount is correctly entered as a positive or negative figure.
5. Make sure any checks voided after the month has closed, while you are balancing the bank statement, have been properly accounted for on your bank reconciliation.
6. Take your Control Copy of the Bank Reconciliation and highlight all checks cleared against your Bank Statement, review check numbers and amounts as you go.
 - a. Any checks not highlighted (not cleared) should be on the last copy of your Bank Reconciliation as outstanding checks.
 - 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.

| | |
|---|---|
| Department of Family and Children Services Administration Policies and Procedures Manual | Section: Financial Part: 2009 Page: 7 of 9 Date: August 2020 |
| Title: Bank Reconciliations | |

7. Using your Closed General Ledger Trial Balance, ensure that all General Journal Entries for voided checks have been updated with the appropriate “V”(current month) or “O”(prior month).
8. 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 3rd screen.
 - b. Go into “Update Travel Transaction File” on the Travel Page and QUERY the amount in the total check amount space.
 - c. Go into “Checks Update” on the General Ledger Page and QUERY the amount in the total check amount space.
 - d. If the check has been cleared in error, see Step 6b above for how to correct.
9. 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. Should the adjustment be a Negative Check Amount or should the amount be in the PR RECOUP bucket.
 - 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.
10. Compare the printed check amounts with the bank coding amounts at the bottom of the check to see if the bank is in error.
11. If checks are not returned with bank statement, compare the amounts on the Control Bank Reconciliation to the amounts on the bank statement.

| | |
|--|---|
| Department of Family and Children Services Administration Policies and Procedures Manual Title: Bank Reconciliations | Section: Financial Part: 2009 Page: 8 of 9 Date: August 2020 |
|--|---|

12. Watch for adjustment entries where a check numbers is manually keyed into SMILE and may not match the original system generated check number. This is normally when someone is doing Payroll or Travel adjustment screens.
 - a. In this situation, QUERY the incorrect number in Payroll or Travel module.
 - 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.

13. Check voided checks for correct coding – “V”(current month) or “O”(prior month).

14. Ensure General Journal Entries are completed for the entire amount of the voided checks. The check number should be entered in the description field in SMILE. Make sure if the voided check is for Child Welfare programs, that negative entry screens have been entered.

15. 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.

16. 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.

17. 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.

18. 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.

| | |
|--|---|
| Department of Family and Children Services Administration Policies and Procedures Manual Title: Bank Reconciliations | Section: Financial Part: 2009 Page: 9 of 9 Date: August 2020 |
|--|---|

19. Remember that checks/direct deposits completed the last two working days in the month will initially have the current month's date on them, but once processed for direct deposit, they will then be a future month's date and will need to be considered as outstanding items on the bank reconciliation.
20. Using the previous month's final bank reconciliation, compare it to your CONTROL COPY for the new bank reconciliation you are working on to ensure that all outstanding checks transferred. The only reason a check would not have transferred over is if the check was voided.
21. Check to make sure all adjustment and ACH type General Journal Entries match what was deducted from the bank.
22. Make sure the net pay of all of your Travel Page Adjustment entries is a "ZERO".
23. The bank reconciliation can be run as many times as needed in order to ensure the month you are working with is "BALANCED".
24. NEVER plug an amount in order to move on to the next month's bank reconciliation.
25. NEVER start the next month's bank reconciliation without balancing the current reconciliation.

NOTE: If you cannot resolve your balancing issues, please reach out to your Unit Manager for assistance.