

PURPOSE AND
INTRODUCTION

Bank reconciliations are an essential internal control tool and necessary in preventing and detecting fraud and accounting errors. Bank reconciliations ensure all transactions that have been processed by the bank have been reviewed and checked, thus reducing the probability of errors in the data used to record book balances. Bank reconciliations also assist in ensuring that all payments and receipts have been applied to a bank account and recorded in the accounting records. Differences must be addressed in a timely manner and corrected.

SEPARATION OF
DUTIES

The reconciliation function requires separation of duties. The person who prepares the bank reconciliation must not be the one who has access and records transactions in the accounting system or processes cash disbursements and receipts. Differences identified between the accounting records and the bank statement shall be adjusted by a person other than the one performing the reconciliation.

Bank reconciliations are performed on a monthly basis and must be reviewed, signed, and dated by both the preparer and reviewer with approving authority. All bank reconciliations must be properly filed with supporting documentation and retained in accordance with the College retention schedule.

GENERAL
LEDGER
RECONCILIATION

The general ledger is the master set of accounts that aggregates all transactions recorded for the College. The accountant who reconciles the general ledger reviews the individual accounts and matches source documents with balances in each account. The reconciliation process is normally done prior to the annual audit to assure all accounts are in compliance.

The main objectives of reconciling the general ledger are as follows:

1. Verify the accuracy of the general ledger.
2. Ensure sound financial management of College funds.
3. Provide reliable financial information to College leadership and auditors.

RECONCILER
DUTIES

Verify that prior period errors/adjustments have been corrected for the following accounts:

1. cash
2. accounts receivable
3. inventory
4. prepaid expenses
5. accounts payable
6. payroll liabilities
7. accrued expenses
8. capital assets

9. loans
10. other debts

Compare ending balances per the general ledger and the sub-system ending balances.

Identify, research, resolve, and document variances and reconciling items.

Verify ending balances have supporting documentation, either paper or electronic.

Document results of reconciliation and submit to the Director, Business Services, for approval.

Provide regular reporting to senior management.

INTERNAL
CONTROL

Reconciliation, verification, and substantiation of monthly accounting records are essential for effective internal control environment to ensure the following:

1. Each bank account shall be reconciled to the general ledger within thirty (30) days of the receipt or electronic release of bank statement.
2. Reconciliation items resulting from timing differences should be monitored for settlement in the subsequent month.
3. All bank reconciliations, including resolution of discrepancies, must be completed prior to fiscal year closeout.
4. Complete bank reconciliations are an integral requirement to assure financial statements are accurate, complete, and recorded in a timely manner. The information can be relied upon for making financial and administrative decisions.