



Statewide Business Process Policy & Procedure

Business Process Reference:

Section: Cash Management
Title: **Bank Reconciliation**

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Background:

Bank reconciliations verify that cash recorded in the accounting records is consistent with the cash maintained in the bank. Also, bank reconciliations are an important control activity to identify potential errors or fraudulent activity that may have occurred in either the accounting records or banking activity.

Organizations need to be diligent in reconciling their bank accounts, since there are time limits to notify the bank of errors or omissions. Specifically, U.C.C. §4-406 allows the customer to examine bank statements within a reasonable time frame, not exceeding 30 days after the statement has been received, and to report to the bank any unauthorized signatures or alterations.

Business Policy Summary:

This policy is intended to provide general guidance for organizations in performing bank account reconciliations, including organizations that participate in Consolidated Treasury Accounting Structure (CTAS). Specifically, each organization must reconcile all bank accounts monthly and resolve all reconciling items in a timely manner. Reconciliations should be documented and clearly show the balances in agreement, including the details of all reconciling items.

Business Process Policy and Requirements:

It is the responsibility of each organization to reconcile all of their bank at least monthly, and within 30 days upon receipt of the bank statement, by an employee not involved in recording accounting transactions, such cash receipts and disbursements. Additionally, bank reconciliations should be formally documented and maintained for audit purposes.

Bank Reconciliations should clearly show the balances being reconciled, including the details (and subsequent resolution) of all reconciling items. At a minimum, a bank reconciliation should include:

- Identification of the applicable general ledger balance, as of the same date of the bank statement;
- Listing of outstanding checks;
- Identification of any charges or credits on the bank statements that have not been recorded in the general ledger. These items should be researched to determine appropriateness, and as necessary adjustments recorded in the general ledger, possibly via a general journal entry;
- Listing of any deposits in transit;
- Calculations to illustrate the general ledger balance, as adjusted by the above bullets, agrees with the bank balance; and
- Documented approval (preferably via signature), by a fiscal officer (or their designee) who did not perform the reconciliation, certifying the reconciliation has been completed accurately.

Specific procedures for performing bank reconciliations will vary depending on certain factors, such as if the organization is a participant in CTAS, or uses TeamWorks. For more detailed bank reconciliation guidance, please refer to the Forms and Attachments section of this policy.

Monitoring:

The management of the organization is responsible to ensure monthly bank reconciliations are being performed timely and accurately, including resolution of any bank errors. Bank reconciliations are an important aspect of an effective internal control system, by identifying potential errors or fraudulent activity that may have occurred in either the accounting records or banking activity.

Authority:

- Official Code of Georgia Annotated (O.C.G.A.) 50-5B-3 – Duties of the state accounting officer include:
 - Prescribing state-wide accounting policies, procedures, and practices
 - Recommending processes and systems to improve the cash management practices of the state to the State Depository Board. The state accounting officer in cooperation with the Office of the State Treasurer may prescribe policies and procedures to implement the policies of the board.
- O.C.G.A. 50-5B-4(b) – Duties of the state agencies with respect to SAO.
 - All organizations of state government and all officers, agents, and employees thereof shall conform to and comply with the rules, regulations, policies, procedures, and forms devised, promulgated, and installed by the state accounting officer.

Applicability:

This business process applies to all Organizations included in the State of Georgia reporting entity. The term 'organization of state government' shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy.

Definitions:

Bank Reconciliation - The process of matching and comparing the accounting details and balances per the general ledger against the balances presented on the bank statement, and adjusting either the general ledger or bank balances for valid differences.

Bank Statement - The document sent by the financial institution that shows the transactions that have posted to specific accounts during a given period.

Deposits in Transit - Deposits received and recorded by the Organization, but not yet recorded (credited) in the bank account.

Outstanding Checks - Checks that have been written and recorded by the Organization, but have not yet cleared the bank account.

Forms and Attachments:

More detailed bank reconciliation procedures are located on SAO's website (links not provided for security reasons). They are as follows:

- Organizations performing bank reconciliations in TeamWorks (that **do not** participate in CTAS):
 - Manual reconciliation process (electronic transaction data file **IS NOT** provided by the bank):
https://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/26/47/150675568BankReconBusinessProcessManual101609.pdf
 - Automatic reconciliation process (electronic transaction data file **IS** provided by the bank):
https://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/26/46/150675571BankReconBusinessAutomatic_101509.pdf
- Bank Reconciliation Manual for organizations that participate in CTAS:
<https://sao.georgia.gov/consolidated-treasury-account-structure>
- Bank reconciliation tool/template for optional use:
<https://sao.georgia.gov/business-process-policies#cash>