



## Accounting and Administrative Manual

### Section 100: Accounting and Finance

#### Depository Account Bank Reconciliation

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#### General:

Depository bank account reconciliations must be submitted monthly to Statewide Fund Accounting prior to the end of the month following the period of the reconciliation. Earlier submission is encouraged for resolution of reconciling items in the current cycle.

Bank reconciliation procedures are designed to assist in providing control over an asset that is subject to a high degree of error and misuse. The primary objective of the reconciliation process is to identify errors, inconsistencies and irregularities through a comparison of identical transactions, as recorded by the bank and as recorded by the university.

Individuals preparing bank reconciliations, to the extent practical, should not have cash receipt or cash disbursement responsibilities, nor access to unused check supplies.

Bank reconciliations for all accounts must be prepared in a standardized four-column reconciliation format in order to provide consistency. The standardized format highlights the differences between:

1. Deposits as recorded by the bank and as recorded by the university.
2. Disbursements and transfers as recorded by the bank and as recorded by the university.
3. Reconciling items between the account balance per the bank and the account balance per the university records.

The standardized format (see page 8 of 9) provides a complete reconciliation of the account balance at the beginning and end of each month. The process begins with the reconciliation for the end of the previous month and proceeds through a piecemeal reconciliation of receipts and disbursements, to a complete reconciliation for the end of the current month.

1. Obtain prior month's bank reconciliation.
2. Obtain bank statement with copies of all debit and credit memos.
3. Obtain a copy of the "Deposit Detail by Deposit Number" SQL report, for the appropriate account.



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4. Set up work paper with standard four-column format, indicating:
  - a. Campus responsible for the account
  - b. Name of the bank account
  - c. Bank account number
  - d. General Ledger account number
  - e. Beginning and ending dates of the reconciliation period
  - f. Name of the person preparing the reconciliation
  - g. Date on which the work paper is prepared
  - h. Space for the signature of the person reviewing the reconciliation
5. Set up general categories for recurring items for the beginning and end of the month, such as:
  - a. Deposits in transit - deposits recorded by the unit and received by the bank after the bank statement date.
  - b. Deposits per bank recorded after month end - deposits made to the bank prior to the bank statement date and recorded by the unit after the month end.
  - c. Transfers per bank recorded after month end - transfer withdrawals to Statewide accounts prior to the bank statement date that are recorded after month end.
  - d. NSF checks - debit memos per the bank statement for NSF checks not recorded by the unit prior to month end.
  - e. Bank statement items not on General Ledger (G/L) History - items appearing on the bank statement and not recorded on the "Deposit Detail by Deposit Number".



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- f. G/L History items not on bank statements - items recorded on the "Deposit Detail by Deposit Number" and not appearing on the bank statements.
  6. Complete first column with data from prior month end reconciliation.
  7. Complete the first horizontal line of the reconciliation with the activity per the bank statement. If totals are not summarized on the bank statement, add the deposits and credit memos per the bank statement to obtain total receipts. Add the disbursements and bank debit memos to determine total disbursements.
  8. Determine that "deposits in transit" from the prior reconciliation are recorded as deposits by the bank during the month. Check off the items on the bank statement. Insert the total of the beginning deposits in transit that clear the bank in the receipts column as a negative item. Beginning deposits in transit that do not appear on the bank statement continue to be outstanding reconciling items. Prepare list of these deposits indicating the transaction date. Attach list to back of reconciliation and enter total as a positive item in the ending balance column.
  9. Determine that "Deposits per bank recorded after month end" from the beginning reconciliation are included on G/L Month-to-Date History. Check off items on the history run. Insert the total of the beginning balance transactions checked off as positive items in the receipts column.  

Beginning deposits recorded after month end, which do not appear on the G/L Month-to-Date History, continue to be outstanding or reconciling items. Prepare a list of these deposits indicating the transaction date. Attach list to back of reconciliation and enter total as a negative item in the ending balance column.
  10. Compare deposits and credit memos per bank statement with debits recorded on the G/L Month-to-Date History run. Check off matching items on both the bank statement and history run.
  11. Review history run for deposits recorded near month end that were not actually received by the bank until after the bank statement date. Check off these items on history run and prepare a list. Insert the date the deposit was recorded by the unit for each item on the list and attach to the back of the reconciliation form.



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Include the total as a positive item in both the receipts and ending balance columns under "Deposits in transit".

12. Review the bank statement for deposits near month end that were received by the bank prior to the bank statement date and not recorded on the G/L Month-to-Date History run. Check off these items on the bank statement and prepare a list. Insert the date the deposit was received by the bank for each item on the list and attach to the back of the reconciliation form. Include the total as a negative item in both the receipts and ending balance columns under "Deposits per bank recorded after month end".
13. Review the bank statement for outstanding deposits and credit memos that have not been checked off. Enter those related to beginning balance transactions as negative items in the receipts column on the same line as the associated item. Include the remaining items with a transaction date and description as negative items in the receipts and ending balance columns under "Bank statement items not on G/L History."
14. Review the G/L Month-to-Date History run for unmatched debit items that have not been checked off. Enter those related to beginning balance transactions as positive items in the receipts column on the same line as the associated item. Include the remaining items with a transaction date and description as positive items in the receipts and ending balance columns under "G/L History items not on bank statements".
15. Determine that "Transfers per bank recorded after month end" from the beginning reconciliation are included on G/L Month-to-Date History. Check off items on the history run. Insert the total of the beginning balance transactions checked off as positive items in the disbursement column. Beginning transfers recorded after month end that do not appear on the G/L Month-to-Date History continue to be unmatched or reconciling items. Prepare a list of these transfers indicating the transaction date. Attach list to back of reconciliation and enter total as a positive item in the ending balance column.
16. Determine that "NSF checks" from the beginning reconciliation are recorded on the G/L Month-to-Date History. Check off items on the history run. Insert the total of the beginning balance transactions checked off as positive items in the disbursement column. Beginning NSF checks that do not appear on the G/L



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Month-to-Date History continue to be unmatched or reconciling items. Prepare list of these NSF checks indicating the transaction date. Attach list to back of reconciliation and enter total as a positive item in the ending balance column.

17. Compare withdrawals, transfers to Statewide and other debit memos per the bank statement with credits recorded on the G/L Month-to-Date History run. Check recorded items on both the bank statement and history run.
18. Review bank statement for transfers near month end that were withdrawn before the bank statement date and not recorded on the G/L Month-to-Date History run. Check off these items on the bank statement and prepare a list. Insert the date of the transaction for each item on the list and attach to the back of the reconciliation form. Include the total as a negative item in the disbursement column and a positive item in the ending balance column under "Transfers per bank recorded after month end".
19. Review bank statement for NSF debit memos that are not included on the G/L Month-to-Date History run. Check off these items on the bank statement and prepare an adding machine tape. Insert the date of the transaction for each item on the tape and attach to the bank of the reconciliation form. Include the total as a negative item in the disbursement column and a positive item in the ending balance column under "NSF checks".
20. Review bank statement for outstanding transfers and debit memos that have not been checked off. Enter those related to items in the beginning balance or receipts column as negative items in the disbursement column on the same line as the associated item. Include the remaining items with a transaction date and description as negative items in the disbursement column, and as positive items in the ending balance column under "Bank statement items not on G/L History".
21. Review the G/L Month-to-Date History run for outstanding credits that have not been checked off. Enter those related to items in the beginning balance or receipts column as positive items in the disbursement column on the same line as the associated item. Include the remaining items with a transaction date and description as positive items in the disbursement column, and as negative items in the ending balance column under "G/L History items not on the bank statements".

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22. Extend all the items:

Beginning Balance + Receipts – Disbursements = Ending Balance

23. Foot all columns, deducting negative items.

24. The mechanics of the reconciliation are complete if:

- a. Each of the column totals foot.
- b. The column totals cross foot.
- c. The totals of each of the columns agree with the comparable totals in the G/L Month-to-Date History.

**Important:** The reconciliation objectives are not accomplished by the mere balancing of the schedule. The schedule has only identified some of the items that require further analysis and attention. Each of the reconciling items must be reviewed to determine what action is required to complete the proper recording process for the transaction. **This must be completed in a timely manner in order to provide for an effective control.**

In general, reconciling items can be classified into one of several types as follows:

1. Timing differences that require no adjustment. These reconciling items clear routinely during subsequent periods without initiating any special action.
2. Bank errors or inconsistencies that require no adjustment. These reconciling items are cleared by the bank recording adjustments or offsetting items on the bank's own records.

For any item which still requires an adjustment by the bank, prepare explanatory papers to be attached to the account reconciliation submitted to Statewide Fund Accounting. The papers should include copies of the deposit slip (or other source document) and a copy of the Agency Deposit/or Debit Listing with the item in error highlighted. In some cases, offsetting errors will have been made at other units. Statewide Fund Accounting will make the determination of whether to have the bank correct or to correct the transfer through the accounting system.



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**Please note; units are to contact Statewide Cash Management, not the bank for problem resolution.**

3. University errors or inconsistencies that require adjustment. These reconciling items require adjustment by journal voucher or recording additional activity through the Cash Receipts/Accounts Receivable and Purchasing/Accounts Payable Systems. For errors made by Statewide, make no adjustments but submit enough information with the reconciliation so that these adjustments can be made by the appropriate Statewide department.
4. Offsetting transactions requiring no further adjustment. These reconciling items clear themselves without initiating any special action and generally result from recording corrections and adjustments.
5. Unidentified items which require additional research and information to determine the category to which they belong. The items needing further research fall into two categories, items on the G/L not on the bank, and items on the bank not on the G/L. For the G/L items, obtain the source document for the entry; this may be adequate information for you to prepare a correcting JV or lead you to further research. Notify Statewide Fund Accounting if you are unable to clear any item; provide all your backup documentation obtained through the research process. Notify Statewide Cash Management if you need information from the bank on any item.



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KODIAK COMMUNITY COLLEGE  
Depository Account Reconciliation May 31, XXXX  
Bank #XX-XXXXXX  
G/L #XXXXX-XXXX-XXXXXX

Prepared By: \_\_\_\_\_  
Reviewed By: \_\_\_\_\_

	<u>Balance</u> 4/30/XX	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> 5/31/XX
Per bank statement	8,400.00	24,000.00	25,000.00	7,400.00
Deposits in transit:				-
Beginning	4,200.00	(4,000.00)		200.00 (a)
Ending		6,400.00		6,400.00
Deposits per bank recorded after month end:				-
Beginning	(2,100.00)	1,600.00		(500.00) (b)
Ending		(3,200.00)		(3,200.00)
Transfer per bank recorded after month end:				-
Beginning	5,000.00		5,000.00	-
Ending			(4,000.00)	4,000.00
NSF checks:				-
Beginning	200.00		200.00	-
Ending			(600.00)	600.00
Bank statement items not on G/L History:				-
4/10/XX Deposit - unrecorded	(200.00) (c)			(200.00) (c)
4/12/XX Deposit - unrecorded	(300.00) (d)	300.00 d)		-
4/16/XX Deposit - unrecorded	(400.00) (e)		(400.00) (e)	-
5/10/XX Deposit - unrecorded		(500.00) (f)		(500.00) (f)
5/12/XX Deposit - unrecorded		(600.00) (g)	(600.00) (g)	-
5/31/XX Deposit - unrecorded			(100.00) (h)	100.00 (h)
G/L History items not on bank statements:				-
4/06/XX Deposit - unlocated	700.00 (i)			700.00 (i)
5/08/XX Deposit - short		800.00 (j)		800.00 (j)
5/13/XX Deposit - short		900.00 k)	900.00 (k)	-
Per G/L History	<u>15,500.00</u>	<u>25,700.00</u>	<u>25,400.00</u>	<u>15,800.00</u>

See reconciling item reference key page 9 of 9.





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- a. Deposit in transit from prior month not clearing the bank with the current month bank statement.
  - b. Deposit per bank from prior month included as "Deposits per bank recorded after month end" which is not recorded on the current G/L Month-to-Date History.
  - c. Unrecorded deposit beginning of the month with no change in the current month.
  - d. Unrecorded deposit beginning of the month recorded by unit during the month.
  - e. Unrecorded deposit beginning of the month corrected by bank debit memo.
  - f. Unrecorded deposit for the current month remaining unrecorded at month end.
  - g. Unrecorded deposit for the current month corrected by bank debit memo.
  - h. Bank debit memo in error.
  - i. Deposit recorded at more than amount of actual deposit on history run for prior month not received by the bank or adjusted on the books.
  - j. Deposit recorded at more than amount of actual deposit.
  - k. Deposit recorded at more than amount of actual deposit. Offset by journal voucher adjustment.