



TOWN & COUNTY OF NANTUCKET
CASH RECONCILIATION PROCESS
GENERAL LEDGER
Effective date: 09/23/2008

Applicability: Town, School, Enterprise Departments, and County Departments

I. Purpose

The general ledger is considered the official record of all accounting activity for the Town of Nantucket. As the pre-audit entity for the Town, one of the core functions of the Management team is to ensure the integrity of the general ledger at any point in time. The purpose of this process is to:

1. Ensure the cash position of the town is reflected properly in the official record
2. Ensure all cash receipts, disbursements, and interest is recorded accurately and in a timely manner
3. Ensure accuracy of the outstanding check register.
4. Identify and correct any discrepancies between the Treasurer's Cashbook, Financial Institutions, and General Ledger

II. Process

At the close of each month, the Assistant Town Accountant, Accounting Clerk, or designee generates reports in Munis that provides the detailed activity in the general ledger for cash receipts, cash disbursements (accounts payable warrant, wire warrant, and payroll warrant), and accounting adjustments recorded via journal entry.

Within twenty days of the month end, the financial institution forwards a copy of the bank statement indicating all account activity for prior month to the Treasurer. Once the Treasurer receives this information and has completed the Treasurer Cashbook reconciliation, then the Collector and/or Accounting Clerk perform the following process to reconcile the general ledger:

Compile the necessary documents:

1. Bank Statement
2. Reconciled Treasurer's Cashbook
3. Munis Outstanding Check list as of Month End
4. Munis Cash Receipts activity (CRP)
5. Munis Cash Disbursement activity (APP, WW, PRJ)
6. Munis Accounts Receivable activity
7. Daily Cash Packet w/Deposit Slips
8. Additional Documents as needed to resolve reconciling items:
 - a. Accounts Payable Warrant

- b. Wire Warrant
- c. Payroll Warrant
- d. Munis Cleared Check list as of Month End
- e. Non Sufficient Fund Notifications provided by the Financial Institution

Verify Deposits:

1. Compare deposits recorded in the Treasurer's Cashbook, Bank Statement, and the General Ledger.
 - a. Utilize the Accounts Receivable activity report & Daily Cash packet to provide further breakdown by line item of cash receipt activity posted in the Munis cash accounts.
2. Check off deposits that match in the Treasurer's Cashbook, Bank Statement, and General Ledger.
3. If there are discrepancies, highlight the specific deposits for further investigation under the section "identify & resolve reconciling items" that follows.
4. Compare and list all deposits that have been entered into the Treasurer's Cashbook and General Ledger after the bank statement date.

Verify Wires / Transfers:

1. Ensure wire transfers in and out on the bank statement are recorded in the General Ledger, and Treasurer's Cashbook.
2. List all wire transfers that have been entered into the Treasurer's Cashbook and General Ledger after the bank statement date.

Verify Checks Cleared:

1. Compare the cleared checks recorded in the Munis General Ledger Cleared Check register with the Treasurer's Cashbook, and bank statement.
2. Check off cleared checks that match on the Munis General Ledger Cleared Check register, Treasurer's Cashbook, and bank statement.

Note: In the process of reviewing checks, ensure that all voided checks are removed from the outstanding list. If a replacement check has been issued, it would remain on the outstanding list until cleared by the bank.

Verify Outstanding Check list:

1. Locate the Outstanding Check Register that was run at month end.
2. Compare the cleared checks on the Munis cleared check register to the bank statement.
3. Ensure all checks and wire transfers on the bank statement have been cleared from the Munis Outstanding Check list.
4. Subtract the amount of checks paid by the bank since the previous statement from the amount of the checks outstanding at the time of the issuance of that statement.
5. Subtract the current total of outstanding checks from the figure shown on the bank statement as the current balance. The resultant number should equal the treasurer's balance for that account.
6. Compare this figure to the Munis Outstanding Check list as of Month End.
7. Report & investigate any errors with the Treasurer.

Note: The Treasurer, Assistant Treasurer, or Board of Selectmen designee has the primary responsibility to discuss and resolve all errors with the financial institution.

Identify & Resolve Reconciling Items:

1. Bank Charges:
 - a. Compare bank charges with debit memos, and bank credits with deposit tickets and credit memos.
 - b. If the Bank Charge is supported, generate a journal entry to record the charge in the general ledger.
 - c. If the Bank Charge is not supported and the Town is requiring repayment of the charge, generate a journal entry to record the receivable.
2. Timing Differences:
 - a. Add to the bank balance any deposits entered in Munis that were made at the end of the subject month that will not appear until the issuance of the subsequent month's bank statement.
 - b. Add or subtract any other debits or credits that were posted to the account in Munis and included with the statement.
 - c. Add or subtract any other adjustments to the general ledger that were not shown on the statement.
 - d. Subtract from the bank's figure any deposits that were outstanding at the end of the preceding month.
3. Interest Earned:
 - a. Interest earned by a bank account should be recorded in the general ledger in the same period that the bank recorded it.
4. Non-Sufficient Checks:
 - a. Ensure re-deposit of bounced checks are not counted twice. Subtract the re-deposit.
 - b. If the non-sufficient check has not been entered in the general ledger, generate a journal entry to record the NSF, accounts receivable, and applicable bank charges.
5. Voided Transactions:
 - a. Voided transactions require documentation to show the full transaction was voided throughout the general ledger. Examples of documentation include a copy of the transaction with a copy of the check that was also voided. If a check was not issued, then the Treasurer would be required to sign the voided transaction to provide verification / approval of the void.
6. Bank Errors:
 - a. If there is a suspected error in the banking activity, compare deposit slips, wire transfers in and out, and check detail for bank accuracy. List all items that have cleared the bank for a different amount than is recorded in the General Ledger and/or Treasurer's Cashbook.
 - i. Compare the Daily Cash Deposit Slips / Cash Packet with the General Ledger and Treasurer's Cashbook to ensure accuracy.
 - ii. Compare the AP Warrant, Wire Warrant, and Payroll Warrant to the General Ledger, Treasurer's Cashbook, and Cleared Checks list to ensure accuracy.

- b. Examples of other bank errors include (a) the Bank cleared a check / wire for an incorrect amount; (b) the bank recorded a deposit for the incorrect amount; (c) the bank applied service charges without approval from the Treasurer; (d) the bank charged the account for a cleared check, but failed to report the cancelled check on the statement; (e) the bank erroneously charged the account for another one of their client's checks.

In the case of a bank error, the Treasurer is the responsible who would escalate the issue to the Bank.

Completed Reconciliation:

1. When the Accounting Clerk has completed the tri-reconciliation (Treasurer's Cashbook to Bank Statements, to the General Ledger), it is then forwarded to the Assistant Town Accountant for final review.
2. Once the Assistant Town Accountant has agreed with the Accounting Clerk's findings, the Assistant Town Accountant confirms with the Treasurer that the reconciliation is complete.
3. The Assistant Town Accountant generates the journal entries to correct any reconciling items in the general ledger.
4. The Assistant Town Accountant and Accounting Clerk generate a copy of the completed reconciliation with work-papers and distribute as follows:
 - i. A hard copy is retained in the Accounting Clerk's file cabinet by month ending date for up to three years unless otherwise indicated by the Director of Finance.
 - ii. An electronic copy is forwarded to the Director of Finance.
 - iii. A hard copy report is provided to the Audit Committee within their next scheduled meeting.

III. Responsible Parties

<i>POSITION</i>	<i>RESPONSIBILITY</i>
Treasurer – Finance Department	Forward a copy of the completed reconciliation of the Treasurer's Cashbook to the Bank Statement to the Collector and Finance Director on a weekly / monthly basis.
Accounting Clerk – Finance Department	Perform the monthly cash reconciliation of the Town's General Ledger to Treasurer's Cashbook and Bank Statement.
Assistant Town Accountant – Finance Department	Maintain integrity of the Town & County General Ledger by ensuring timely and accuracy of all accounting activity. Ultimately responsible if general ledger cash reconciliation is not completed in a timely manner.
Assistant Finance Director – Finance Department	Monitor and assist with cash reconciliations as instructed by Finance Director.

Finance Director – Finance Department	Perform monthly status meeting with Treasurer & Assistant Town Accountant on cash reconciliation activity.
Audit Committee	Review completed cash reconciliation reports on a monthly basis.

IV. Timeline

The cash reconciliation process began in July 2008. A mini-audit of the process is scheduled for September 30, 2008. The monthly status with the Finance Director and Audit Committee is scheduled to begin in October 2008. The effectiveness of the process will be reviewed within 60-120 days and refined accordingly.