



TOWN & COUNTY OF NANTUCKET
CASH RECONCILIATION PROCESS
TREASURERS CASHBOOK

Effective date: 09/23/2008

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

I. Purpose

One of the primary functions within the Town & County of Nantucket Treasurer's office is to manage cash flow and records. The management of cash is monitoring and recording the cash flowing in and out of all municipal accounts. In order to ensure an accurate accounting of all activity, the Treasurer's Cashbook needs to reflect "real time" accurate information. The purpose of this process is to:

1. Ensure all cash receipts, disbursements, and interest is recorded in a timely manner.
2. Ensure accuracy of outstanding check register.
3. Identify and correct any discrepancies between the Treasurer's Cashbook and Financial Institutions.
4. Understand the Town & County cash flow position at any given point in time.

II. Process

Prior to receiving the bank statements from the financial institution, the Treasurer records the monthly cash activity in the Treasurer's Cashbook using QuickBooks software. (Note: QuickBooks software was implemented upon recommendation from the auditing staff of Powers & Sullivan. The Treasurer will continue to research alternative options that would further improve efficiencies). Updates are made to the Treasurer's Cashbook as follows:

1. On a daily basis, the Cash Receipts clerk provides the Treasurer with the cash receipts by department.
2. On a weekly basis, the Payroll Coordinator completes the payroll warrant. The payroll warrant is then turned over to the Treasurer.
3. If transfers are required from Enterprise and other special revenue accounts for payroll, the transfers are performed for the exact amount contained within the payroll warrant.
4. On a bi-weekly basis and/or according to the Accounts Payable Warrant Schedule, the Accounts Payable Coordinator completes the accounts payable (AP) warrant. A copy of the AP warrant is then turned over to the Treasurer.
5. On a monthly basis and/or according to the Accounts Payable Warrant Schedule, the Accounts Payable Coordinator completes the wire warrant and provides a copy to the Treasurer.

6. If transfers are required from Enterprise and other special revenue accounts for the AP and/or wire warrant, the transfers are performed for the exact amount contained within the AP and/or wire warrant.
7. As received, the Treasurer Records non-sufficient notifications and any related bank charges for customer payments on tax or local services.

In each case, the Treasurer then records the cash receipt and/or disbursement activity in the Treasurer's Cashbook within one to two business days of the activity.

At the close of each month, the Assistant Town Accountant, Accounting Clerk, or designee runs an outstanding check list for the payroll and accounts payable vendor accounts in Munis. This Munis report is then reconciled to the outstanding check detail provided by the financial institution. The Treasurer then identifies and reports any discrepancies within the report to the respective party (Assistant Town Accountant or Financial Institution).

Within twenty days of the month end, the financial institution forwards a copy of the bank statement indicating all account activity for prior month. Once the Treasurer receives this information, interest earned in accounts is posted to the Treasurer's Cashbook. Then the cash reconciliation procedure is conducted as follows (excerpts from Massachusetts Collectors & Treasurer's Association Treasurer Manual of 2008):

Compile the necessary documents:

1. Bank Statement
2. Treasurer's Cashbook
3. Daily Cash Packet w/Deposit Slips
4. Accounts Payable Warrant
5. Wire Warrant
6. Payroll Warrant
7. Munis Cleared Check list as of Month End
8. Munis Outstanding Check list as of Month End
9. Non Sufficient Fund Notifications provided by the Financial Institution

Verify Deposits:

1. Compare deposits recorded on the bank statement with the Treasurer's Cashbook.
2. Check off deposits that match on the bank statement and Treasurer's Cashbook.
3. List all deposits that have been entered into the Treasurer's Cashbook after the bank statement date.

Verify Wires / Transfers:

1. Compare wire transfers in and out recorded on the bank statement with the Treasurer's Cashbook.
2. Check off wire transfers in and out that match on the bank statement and Treasurer's Cashbook.
3. List all wire transfers that have been entered into the Treasurer's Cashbook after the bank statement date.

Verify Checks Cleared:

1. Arrange the cancelled checks in excel by warrant date in numerical order.

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

Note: In the process of reviewing checks, the treasurer should heed all voided checks. Any check replaced with a new check must be removed from the outstanding list to prevent double counting.

Calculate Outstanding Checks:

1. Calculate the aggregate amount of all outstanding checks. In performing this calculation, the treasurer should subtract the amount of the 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.
2. 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.
3. Compare this figure to the Munis Outstanding Check list as of Month End.
4. Report & investigate any errors with the Assistant Town Accountant.

Identify & Resolve Reconciling Items:

1. Bank Charges:
 - a. Compare bank charges with debit memos, and bank credits with deposit tickets and credit memos.
2. Timing Differences:
 - a. Add to the bank balance any deposits 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 and included with the statement.
 - c. Add or subtract any other adjustments to the treasurer's cashbook 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.
 - e. Subtract re-deposit(s) of "bounced checks".
3. Interest Earned:
 - a. Interest earned by a bank account should be recorded in the cash book in the same period that the bank recorded it.
4. Bank Errors:
 - a. Review 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 that recorded in the Treasurer's Cashbook.
 - i. Compare the Daily Cash Deposit Slips with the Treasurer's Cashbook to ensure accuracy.
 - ii. Compare the AP Warrant, Wire Warrant, and Payroll Warrant to the Treasurer's Cashbook and Cleared Checks list to ensure accuracy.
 - b. Examples of other bank errors include (a) the Bank cleared an 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.
- c. Investigate any discrepancies with the bank. The Treasurer must communicate the error in written form on official Town of Nantucket Finance Stationary to the financial institution. The communication should indicate expected action as well as a timeline for resolution. The Finance Director and/or Assistant Finance Director would also receive a copy of the communication.

Completed Reconciliation:

1. Upon completion of the reconciliation of the Treasurer's Cashbook to the Bank Statement, the next step is to create hard-copy and electronic copies of all work-papers used to support the reconciliation.
2. File hardcopy in the Treasurer's office by Month end date.
3. File electronic copy in the Finance Shared File under the appropriate Fiscal Year Reconciliation file folder.
4. Forward electronic copy to the Assistant Town Accountant.

Once the Treasurers Cashbook has been reconciled with the bank statements and outstanding check list, the completed reconciliation is then turned over to the Assistant Town Accountant to perform a tri-reconciliation (Treasurer's Cashbook to Bank Statements to General Ledger).

III. Responsible Parties

<i>POSITION</i>	<i>RESPONSIBILTY</i>
Cash Receipts Clerk – Finance Department	Turnover cash receipt documentation to Treasurer on a daily basis.
Payroll Coordinator – Finance Department	Turnover payroll warrant to the Treasurer on a weekly basis.
Accounts Payable Clerk – Finance Department	Turnover accounts payable warrant and wire warrant documentation to the Treasurer on a bi-weekly and monthly basis.
Accounting Clerk – Finance Department	Print the outstanding check register for all payroll and vendor accounts on the last day of the month
Treasurer – Finance Department	Maintain accuracy of Treasurer's Cashbook by recording cash receipts on a daily basis; accounts payable warrants and wire warrants on a bi-weekly and monthly basis; record interest earned on a monthly basis; reconcile all cash accounts on a monthly basis. Ensure accuracy of outstanding check list provided by financial institution.
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.