

LSL



# *“Back to Basics”* **WEBINAR**

**Bank Reconciliations**

1 CPE CREDIT

**Thr, June 26**  
**10:00AM PST**

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# Your Presenter



**Steven “Berrett” Warnick, CPA**  
Senior Manager, Assurance & Advisory

# Objectives

- Learn about the challenges faced by governmental agencies while reconciling bank statements and recording/reporting cash
- Learn a step-by-step approach preparing a bank reconciliation
- Discuss year-end closing entries such as GASB 31 and Interest Allocations
- Discuss best practices for documentation and preparation for an audit
- Learn about common mistakes and questions we come across

# POLLING QUESTION #1

**Are your organization's reconciliations really reconciled?**

- A. Absolutely, yes
- B. We have small variances every month
- C. No one will ever know
- D. I don't touch any reconciliations



# Cash & Bank Reconciliations

# Items Needed to Get Started

- Bank statement/Credit card statement
- Check listing
- Previous month's outstanding checks listing
- Cash receipt listing
- Previous month's deposit in transit listing
- GL cash balance at the end of the month

# Bank Reconciliation Example

	Checking	Savings
Bank Balance	204,553.65	422,713.42
Less: Withdrawals in Transit to Bank	<i>Outstanding Checks</i> (157,586.62)	
Add: Deposits in Transit to Bank		<i>Deposits in Transit</i> 90,261.51
Outstanding Transfers		
Adjusted Bank Balance	46,967.03	512,974.93
General Ledger Balance	156,050.84	503,872.37
Add: Pending Prior Month JEs	-	-
Adjusted GL Balance	156,050.84	503,872.37
GL Variance	\$ 109,083.81	\$ (9,102.56)



# Bank Reconciliation Example

GL Variance		\$ 109,083.81		\$ (9,102.56)
Reconciling items				
Add: Deposits to be posted on GL	Interest	5.01	Interest	153.43
Less: Withdrawals to be posted on GL				
	35068	(260.62)	35068	260.62
	34990	(2,946.70)	34990	2,946.70
	34991	(2,704.50)	34991	2,704.50
	34992	(2,959.75)	34992	2,959.75
	34989	(131.56)	34989	131.56
	Global Payments	(34.99)	Wire Transfer Fees	(54.00)
	United Med Ins Payment	(50.70)		
	Transfer out	(100,000.00)		
Adjusted Variance		-		-

# POLLING QUESTION #2

**Which item causes the most differences for your organization?**

- A. Deposit in Transit
- B. Bank Errors
- C. Outstanding Checks
- D. Interest Earned and Service Charges

# Common Challenges

- Returned or voided checks
- Different amount posting into financial system compared to what cleared through the bank
- Timing issues from credit card payments
- Unrecorded transactions
- Departments posting cash receipts not in a timely manner

# Daily Cash Process

- Daily miniature bank reconciliation
- Daily bank activities
- Cash deposit log
- Outstanding Checks Log
- Credit card activities



# How Your Auditors Audit Your Cash

# POLLING QUESTION #3

**How on top of bank reconciliations is your organization?**

- A. We reconcile every month within 30 days
- B. We are usually reconciled within 60-90 days
- C. We reconcile within 90+ days
- D. We reconcile everything right before the audit

# Audit Steps to Audit Your Cash

1. Obtain a list and statements for all accounts held by the organization
2. Review GASB 31 fair value adjustment entry and reconcile the cash to your GL. This includes your footnotes as well
3. Confirm at least major bank account balance directly with the bank. Possibly through confirmation.com
4. Review your bank reconciliations including reconciling items, timing and documentation

Institution Name	A/C #	Bank Balance 6/30/2023		Outstanding Checks/DIT	Adj Bank Balance 6/30/2023	Fair Value @ 6/30/2023
<b>DEMAND DEPOSITS</b>						
General Checking (Wells Fargo)		1,262,859.04 <u>D. 8</u>	C	(80,942.17)	1,181,916.87	1,181,916.87 <u>D.10</u>
Imprest Cash		750.00	GL	-	750.00	750.00
<b>INVESTMENTS</b>						
LAIF		24,932,372.59 <u>D. 6</u>	C	-	24,932,372.59	24,554,111.07 <u>D. 7</u>
US Bank		4,441,399.46 <u>D. 9</u>	C	-	4,441,399.46	4,441,238.16
CAMP Pool		17,580,799.27 <u>D. 9</u>	D		17,580,799.27	17,580,799.27
Total cash and investment per bank					48,137,238.19	47,758,815.37
Total cash and investments per fund					47,758,977.00	47,758,977.00
Difference					378,261.19	<u>(161.63)</u> B
<b>RESTRICTED INVESTMENTS</b>						
Depository Account (US Bank)		550,110.73 <u>D. 8</u>	C	-	550,110.73	550,110.73
PARS Post-Employment Benefits Trust		1,217,584.23 <u>D. 9</u>	C, D	-	1,217,584.23	1,217,584.23 <u>D.11</u>
US Bank- Cash Equiv Rev Bond 2022A		2,073,362.20 <u>D. 9</u>	D		2,073,362.20	2,073,362.20
US Treasury Notes - Rev Bond 2022A Short Term		8,382,636.54 <u>D. 9</u>	D		8,382,636.54	8,394,731.54 E
US Treasury Notes - Rev Bond 2022A Long Term		7,899,603.90 <u>D. 9</u>	D		7,899,603.90	7,873,911.90 E
US Bank - Rev Bond 2017A		270.59 <u>D. 9</u>	D		270.59	270.59
Total fiscal agent cash per bank					20,123,568.19	20,109,971.19
Total fiscal agent cash per fund					20,110,170.00	20,110,170.00
Difference					13,398.19	<u>(198.81)</u> A
TOTAL CASH & INVESTMENTS PER BANK:					68,260,806.38	67,868,786.56
TOTAL CASH & INVERSTMENTS PER FUND:					67,869,147.00	67,869,147.00
DIFFERENCE:					(391,659.38)	<u>360.44</u> B



Agency Confirmation as of 06/30/23

<u>FISCAL QUARTER</u>	<u>QUARTER DATE</u>	<u>BALANCE</u>	<u>INTEREST</u>
1st	9/30/2022	\$33,375,055.68	\$115,133.71
2nd	12/31/2022	\$39,390,189.39	\$188,982.41
3rd	3/31/2023	\$36,679,171.80	\$253,200.79
4th	6/30/2023	\$24,932,372.59	\$229,839.16 E. 4

Balance as of 06/30/23 is : \$24,932,372.59 D. 2

Total Interest is: \$787,156.07 E. 18

INVESTMENTS							
LAIF		24,932,372.59	D. 6	C	-	24,932,372.59	24,554,111.07 D. 7
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RESTRICTED INVESTMENTS							



# PMIA/LAIF Performance Report as of 07/26/23



## Quarterly Performance Quarter Ended 06/30/23

LAIF Apportionment Rate <sup>(2)</sup> :	3.15
LAIF Earnings Ratio <sup>(2)</sup> :	0.00008636172883763
LAIF Administrative Cost <sup>(1)*</sup> :	0.06
LAIF Fair Value Factor <sup>(1)</sup> :	0.984828499 <u>D. 2</u>
PMIA Daily <sup>(1)</sup> :	3.26
PMIA Quarter to Date <sup>(1)</sup> :	3.01
PMIA Average Life <sup>(1)</sup> :	260

## PMIA Average Monthly Effective Yields<sup>(1)</sup>

June	3.167
May	2.993
April	2.870
March	2.831
February	2.624
January	2.425

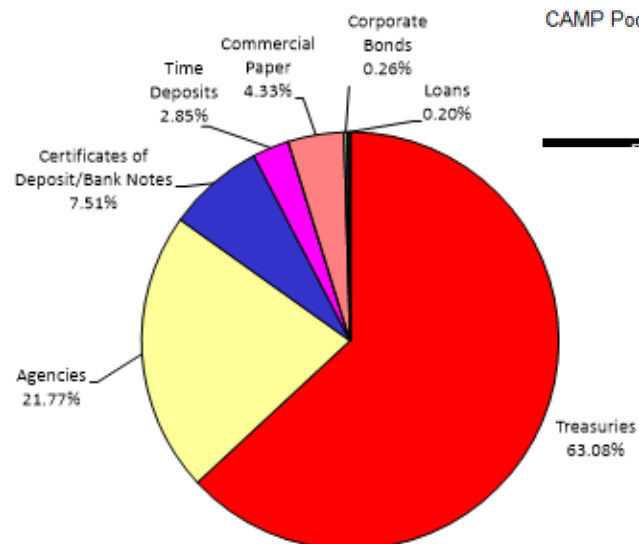
LAIF Bal

Fair Value  
Adjustment  
factorFair Value  
Adjustment  
LAIF

$$\$24,932,372.59 \times 0.984828499 = \$24,544,111.07$$

## Pooled Money Investment Account Monthly Portfolio Composition <sup>(1)</sup>

06/30/23  
\$178.4 billion



## INVESTMENTS

LAIF	24,932,372.59	<u>D. 6</u>	C	-	24,932,372.59	24,544,111.07 <u>D. 7</u>
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# What are Auditors Looking at When Testing Bank Reconciliations?

- Auditors have some key things they look for when reviewing bank reconciliations:
  - Are they prepared timely? Timely is usually within 30-60 days of month close.
    - **Note: This includes throughout the year.**
  - Do they have proper signatures for who prepared and approved?
  - Does your bank reconciliation foot, and does it tie to the GL and bank statement?
  - Testing outstanding checks and deposits in transit.
  - Are there any unusual reconciling items?

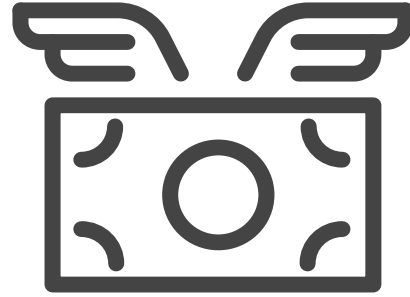
# What to Prepare for Auditors?

- Prepare a list of all bank accounts including balances and how it reconciles to your GL accounts
- Provide all bank statements for your year-end close month and subsequent month ready
  - **Ex: If your organization year-end is June 2024. Prepare June and July 2024**
- Provide all bank reconciliations for your year-end close month
- Prepare an explanation for any unusual reconciling items

# POLLING QUESTION #4

**Do you feel more confident  
in what you need to prepare for your auditors?**

- A. Absolutely
- B. I feel the same
- C. No, I am still confused



# Common Mistakes and Questions

# Common Mistakes & Questions

- Miscommunication with other departments on reconciling items
- Bank reconciliations are behind
  - Historical knowledge loss and staffing
- Interest allocation is off; e.g., negative cash
- Do fair value adjustment entries always need to be recorded?
- What happens for items that don't clear immediately?
  - Should Long outstanding checks be written off? Unclaimed property

# Next Back to Basics Webinar

Tuesday, July 15 at 10:00 am PST

## **Back to Basics | Pension & OPEB**

Riley Greenlee, CPA – Senior Manager, Assurance & Advisory

You can sign up to register in the follow up email you will receive after this webinar. Please give up to 24 hours.



# Questions?

# Contact Berrett



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