

Ohio Auditor of State

Reconciliations and Proofs of Cash

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Items Needed

- All bank statements
- Cash Position Report
- Revenue Journal
- Check Register
- Cash Journal
- Transfer/Advance Report
- Outstanding Check List

Terms

- Proof of Cash Period – The months that are to be reconciled.
The Proof of Cash Period could be January 2016 – December 2018,
but the reconciliation work might be done in 2019
- Current Month – The month that you are working on currently
- Book Section – All lines on the proof of cash from the "Balance per Books" line through the "Adjusted Book Balance" line
- Bank Section – All lines on the proof of cash from the first bank account balance through the "Adjusted Bank Balance" line
- Reconciling Item – A posting or transaction that does not match between the books and the bank statement

Terms

- Outstanding Checks – Checks that are written in a certain month, that do not clear the bank in that month
- Deposits in Transit – Receipts posted on the system in a certain month that do not clear the bank in that month or the following month (if a receipt does not clear the bank in the month it is posted, or the following month, it is a reconciling item)
- Check figure – Numbers at the bottom of the proof of cash columns that compare the Adjusted Book Balance to the Adjusted Bank Balance

Proof of Cash Period

- Know what the Proof of Cash Period is and do not do any other months.
 However, if the Proof of Cash Period is January 2016 – December 2018, you will need to check the January 2019 system reports and bank statements to see if any of the outstanding reconciling items were corrected on the system in January 2019. If so, those items would need to be backed out of the adjustment amounts. You would not actually reconcile January 2019 though.

Important

- Work on one month at a time!!!
 Only set up a new tab for the next month once the current month is complete
 Do NOT set up tabs for all months to start
 The linking can create nightmares to try to go back to a previous month and add reconciling items once subsequent month's tabs are set up
- Corrections to outstanding reconciling items are entered on the same line as the outstanding reconciling items

Important

- While you are doing a proof of cash, don't not try and correct anything for the time period that the proof of cash covers. Do not to make any adjustments on the system.
- Once the proof of cash is completed for the entire period that it covers, one number will be posted to the system to adjust for each fund.

Tips

- Look for patterns – Once a few months are completed, patterns should become apparent.
- Auditor/Treasurer Fees and Returned Checks affect both columns
- Fund Transfers and Bank Transfers need to be "eliminated"
- Make notes on the proof of cash when each adjustment/reconciling item is first found.

Tips

- Format
- Month
- Receipt Reconciling Items
- Expenditure Reconciling Items
- Fees/Returned Checks

September 2017
Interest not posted XYZ Bank savings
Deposit not posted (quarterly business income tax)
Bank service charges not posted (main account)
Memo check 91238 is duplicate of 91221
Deposit item returned
Credit card processing fees not posted
Bank transfer posted as memo check 91240
"Auditor and Treasurer" fees on RITA deposits

Tips

Reconciling Items in the Book Section of the Proof of Cash

- Deposits**
 - Deposits on items that are not posted
 - Entered on the bank statement that is not posted
 - Deposited in higher on bank statement than what is posted (deposit underposted)
 - Required check on bank statement posted as a negative amount
 - Post posted correctly as expense on a deposit that is posted as net increase of gross
- Payments**
 - Withdrawals or checks that clear the bank but are not posted
 - Checks that clear the bank but are not posted
 - Withdrawal or check is higher on bank statement than what is posted (expense underposted)
 - Bank service charges on the bank statement that are not posted
 - Required check on bank statement if it is not posted, or if it is posted as a negative amount
 - Post not posted for a deposit posted as gross
- Checks that are posted but do not clear the bank and are not an outstanding check for a certain reason**
 - Bank transfer posted as expenditure
 - Auditor/Treasurer/IT's fees gross on books not on bank
 - Withdrawal or gross is lower on bank statement than what is posted (expense overposted)

- Cheat sheet shows how reconciling items should be entered in the proof of cash, + or - and which column.
- Handout in binder

Common Issues



- In this case, the resident paid their water bill of \$28.02, which is what the entity posted on the system. However, banks go by what is written out on the line, not the numbers in the box, so this check only cleared the bank for \$28.00 which created a \$0.02 reconciling item.

Common Issues

- Deposits in transit clear in the next month
- Payments automatically withdrawn from the bank account
- Returned checks
- Auditor and Treasurer Fees
- Fund Transfers
- Bank Transfers
- Corrections posted for outstanding reconciling items
- Bank statement dates are mid-month

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Village of LGS	Sample 1 - Completed month			
Reconciliation of Cash Receipts and Cash Disbursements For the Month of September 2018				
	B	C	D	= + B + C - D
	Balance 9/1/18	September Receipts	September Payments	Balance 9/30/18
Balance per Books - Cash Summary by Fund	616,412.18	175,209.83	274,809.00	516,813.01
Fund transfers	0.00	(10,000.00)	(10,000.00)	0.00
June 2018				
Interest not posted XYZ Bank savings	2.59			2.59
Deposit Overposted	(0.02)			(0.02)
Deposit not posted	2,318.45	(2,318.45)		0.00
Bank service charges not posted (main account)	(254.92)			(254.92)
Bank transfer recorded as expenditure	(5,000.00)			(5,000.00)
Credit card processing fees not posted	(569.15)			(569.15)
Check #91051 written for 192.45 cleared bank for \$195.45	(3.00)			(3.00)
Voided cleared check #89512 in system	1,137.29			1,137.29
July 2018				0.00
Interest not posted XYZ Bank savings	3.64			3.64
Deposit posted, not on bank (didn't clear in August)	(4,502.18)			(4,502.18)
Bank service charges not posted (main account)	(321.08)			(321.08)
Insuraco electronic withdrawal not posted (insurance premiums)	(15,713.08)			(15,713.08)
Credit card processing fees not posted	(652.84)			(652.84)
August 2018				2.91
Interest not posted XYZ Bank savings	2.91			2.91
Bank service charges not posted (main account)	(213.64)			(213.64)
Insuraco electronic withdrawal more than posted	(900.00)			(900.00)
Fees not posted for RITA receipt posted at gross	(1,597.59)			(1,597.59)
Credit card processing fees not posted	(507.49)			(507.49)
September 2018				3.62
Deposit not posted (quarterly business income tax)	0.00	3.62		3.62
	0.00	1,549.86		1,549.86
Bank service charges not posted (main account)	0.00		192.55	(192.55)
Memo check 91238 is duplicate of 91221	0.00		(459.87)	459.87
Deposit item returned	0.00		197.34	(197.34)
Credit card processing fees not posted	0.00		878.31	(878.31)
Bank transfer posted as memo check 91240	0.00		(36,621.31)	36,621.31
"Auditor and Treasurer" fees on RITA deposits	0.00	(347.37)	(347.37)	0.00
Adjusted Book Balances	589,642.07	164,097.49	228,648.65	525,090.91
Balance per Bank				
First Bank of ABC (Main Checking)	500,356.54	199,152.87	228,605.75	470,903.66
First Bank of ABC (Payroll)	127.95	39,725.18	39,725.18	127.95
XYZ Bank (Savings)	95,018.84	3.62	36,621.31	58,401.15
Bank Transfers	0.00	(76,346.49)	(76,346.49)	0.00
Outstanding Checks:				
August 2018	(5,861.26)		(5,861.26)	0.00
September 2018			5,904.16	(5,904.16)
Deposits in Transit				
August 2018	0.00	0.00		0.00
September 2018	0.00	1,562.31		1,562.31
Adjusted Bank Balances	589,642.07	164,097.49	228,648.65	525,090.91
Check Figures	0.00	0.00	0.00	0.00
				0.00

Outstanding Checks List		
	Check #	Amount
May-17	89745	170.00
Dec-17	90817	130.80
Jan-18	90845	19.01
Mar-18	90997	269.40
Mar-18	90998	440.00
Apr-18	91015	240.00
May-18	91042	29.00
Jun-18	91068	48.67
Aug-18	92049	139.00
Aug-18	92050	59.94
Aug-18	92055	65.00
Aug-18	92056	400.00
Sep-18	92102	1,191.00
Sep-18	92104	103.68
Sep-18	92107	664.85
Sep-18	92111	257.00
Sep-18	92112	908.87
Sep-18	92114	10.40
Sep-18	92115	150.00
Sep-18	92116	356.00
Sep-18	92117	251.54
		5,904.16

Village of LGS **Sample 3 - Receipts and payments off by same amount**

Reconciliation of Cash Receipts and Cash Disbursements				
For the Month of September 2018				
	B	C	D	= + B + C - D
	Balance	September	September	Balance
	9/1/18	Receipts	Payments	9/30/18
Balance per Books - Cash Summary by Fund	616,412.18	175,209.83	274,809.00	516,813.01
Fund transfers	0.00	(10,000.00)	(10,000.00)	0.00
June 2018				
Interest not posted XYZ Bank savings	2.59			2.59
Deposit Overposted	(0.02)			(0.02)
Deposit not posted	2,318.45	(2,318.45)		0.00
Bank service charges not posted (main account)	(254.92)			(254.92)
Bank transfer recorded as expenditure	(5,000.00)			(5,000.00)
Credit card processing fees not posted	(569.15)			(569.15)
Check #91051 written for 192.45 cleared bank for \$195.45	(3.00)			(3.00)
Voided cleared check #89512 in system	1,137.29			1,137.29
July 2018				0.00
Interest not posted XYZ Bank savings	3.64			3.64
Deposit posted, not on bank (didn't clear in August)	(4,502.18)			(4,502.18)
Bank service charges not posted (main account)	(321.08)			(321.08)
Insuraco electronic withdrawal not posted (insurance premiums)	(15,713.08)			(15,713.08)
Credit card processing fees not posted	(652.84)			(652.84)
August 2018				
Interest not posted XYZ Bank savings	2.91			2.91
Bank service charges not posted (main account)	(213.64)			(213.64)
Insuraco electronic withdrawal more than posted	(900.00)			(900.00)
	(1,597.59)			(1,597.59)
	(507.49)			(507.49)
	0.00	3.62		3.62
	0.00	1,549.86		1,549.86
	0.00		192.55	(192.55)
	0.00		(459.87)	459.87
	0.00		197.34	(197.34)
	0.00		878.31	(878.31)
	0.00		(36,621.31)	36,621.31
	589,642.07	164,444.86	228,996.02	525,090.91
	500,356.54	199,152.87	228,605.75	470,903.66
	127.95	39,725.18	39,725.18	127.95
	95,018.84	3.62	36,621.31	58,401.15
	0.00	(76,346.49)	(76,346.49)	0.00
	(5,861.26)		(5,861.26)	0.00
			5,904.16	(5,904.16)
	0.00	0.00		0.00
September 2018	0.00	1,562.31		1,562.31
Adjusted Bank Balances	589,642.07	164,097.49	228,648.65	525,090.91
Check Figures	0.00	347.37	347.37	0.00
				(0.00)

Revenues and expenditures are off by the same amount. This could be caused by a deposit which was correctly posted at gross with a memo expenses for fees. (Common on property tax receipts, but can occur with any transaction when fees are deducted from the deposit.) In these cases, it is as though the entity received the gross amount and paid the County Treasurer or RITA the fees, which is why it is proper for the entity to post the gross amount as revenue and the fees as an expenditure. However, in reality, the County Treasurer or RITA will withhold the fees and give the entity the net amount. Therefore, the bank statement only shows the net amount which creates a variance in the amount of the fees in both columns of the proof of cash. Another common issue that can cause both columns to have the same variance is when the entity deposits a check that later bounces. When the entity originally makes the deposit, it shows on the bank statement as a deposit. However, when the check bounces it shows on the bank statement as a withdrawal of some sort. On the books the entity should post a bounced check as a negative revenue.

Village of LGS		Sample 4 - Receipts not working		
Reconciliation of Cash Receipts and Cash Disbursements				
For the Month of September 2018				
	B	C	D	= + B + C - D
	Balance	September	September	Balance
	9/1/18	Receipts	Payments	9/30/18
Balance per Books - Cash Summary by Fund	616,412.18	175,209.83	274,809.00	516,813.01
Fund transfers	0.00	(10,000.00)	(10,000.00)	0.00
June 2018				
Interest not posted XYZ Bank savings	2.59			2.59
Deposit Overposted	(0.02)			(0.02)
Deposit not posted	2,318.45	(2,318.45)		0.00
Bank service charges not posted (main account)	(254.92)			(254.92)
Bank transfer recorded as expenditure	(5,000.00)			(5,000.00)
Credit card processing fees not posted	(569.15)			(569.15)
Check #91051 written for 192.45 cleared bank for \$195.45	(3.00)			(3.00)
Voided cleared check #89512 in system	1,137.29			1,137.29
July 2018				
Interest not posted XYZ Bank savings	3.64			3.64
Deposit posted, not on bank (didn't clear in August)	(4,502.18)			(4,502.18)
Bank service charges not posted (main account)	(321.08)			(321.08)
Insuraco electronic withdrawal not posted (insurance premiums)	(15,713.08)			(15,713.08)
Credit card processing fees not posted	(652.84)			(652.84)
August 2018				
Interest not posted XYZ Bank savings	2.91			2.91
Bank service charges not posted (main account)	(213.64)			(213.64)
Insuraco electronic withdrawal more than posted	(900.00)			(900.00)
Fees not posted for RITA receipt posted at gross	(1,597.59)			(1,597.59)
Credit card processing fees not posted	(507.49)			(507.49)
September 2018				
Interest not posted XYZ Bank savings	0.00	3.62		3.62
Bank service charges not posted (main account)	0.00		192.55	(192.55)
Memo check 91238 is duplicate of 91221	0.00		(459.87)	459.87
Deposit item returned	0.00		197.34	(197.34)
Credit card processing fees not posted	0.00		878.31	(878.31)
Bank transfer posted as memo check 91240	0.00		(36,621.31)	36,621.31
	0.00	(347.37)	(347.37)	0.00
	07	162,547.63	228,648.65	523,541.05
	54	199,152.87	228,605.75	470,903.66
	95	39,725.18	39,725.18	127.95
	84	3.62	36,621.31	58,401.15
	00	(76,346.49)	(76,346.49)	0.00
	26)		(5,861.26)	0.00
			5,904.16	(5,904.16)
	00	0.00		0.00
	00	1,562.31		1,562.31
Adjusted Bank Balances	589,642.07	164,097.49	228,648.65	525,090.91
Check Figures	0.00	(1,549.86)	0.00	(1,549.86)
				(1,549.86)

If one column is not working (the check figure is not 0.00), use the information from the proof of cash to know where to look. In this case, the adjusted bank balance is higher than the adjusted book balance. This could be that something that was on the withdrawal side of the bank statement was posted as a negative receipt, however since the payments column is tied out, that cannot be the case. Another thing that could cause this is if we missed a bank to bank transfer on the bank statements, however that would also affect both columns also. Another thing that could cause this is if there was a deposit on the bank statement that was not posted, which is what we would find to be the problem in this case if we went back and looked at the documents carefully again.

Village of LGS		Sample 5 - Formula Error		
Reconciliation of Cash Receipts and Cash Disbursements				
For the Month of September 2018				
	B	C	D	= + B + C - D
	Balance	September	September	Balance
	9/1/18	Receipts	Payments	9/30/18
Balance per Books - Cash Summary by Fund	616,412.18	175,209.83	274,809.00	516,813.01
Fund transfers	0.00	(10,000.00)	(10,000.00)	0.00
June 2018				
Interest not posted XYZ Bank savings	2.59			2.59
Deposit Overposted	(0.02)			(0.02)
Deposit not posted	2,318.45	(2,318.45)		0.00
Bank service charges not posted (main account)	(254.92)			(254.92)
Bank transfer recorded as expenditure	(5,000.00)			(5,000.00)
Credit card processing fees not posted	(569.15)			(569.15)
Check #91051 written for 192.45 cleared bank for \$195.45	(3.00)			(3.00)
Voided cleared check #89512 in system	1,137.29			1,137.29
July 2018				
Interest not posted XYZ Bank savings	3.64			3.64
Deposit posted, not on bank (didn't clear in August)	(4,502.18)			(4,502.18)
Bank service charges not posted (main account)	(321.08)			(321.08)
Insuraco electronic withdrawal not posted (insurance premiums)	(15,713.08)			(15,713.08)
Credit card processing fees not posted	(652.84)			(652.84)
August 2018				
Interest not posted XYZ Bank savings				2.91
Bank service charges not posted (main account)				(213.64)
Insuraco electronic withdrawal more than posted				(900.00)
Fees not posted for RITA receipt posted at gross				(1,597.59)
Credit card processing fees not posted				(507.49)
September 2018				
Interest not posted XYZ Bank savings				3.62
Deposit not posted (quarterly business income tax)				1,549.86
Bank service charges not posted (main account)			192.55	(192.55)
Memo check 91238 is duplicate of 91221			(459.87)	459.87
Deposit item returned			197.34	(197.34)
Credit card processing fees not posted			878.31	0.00
Bank transfer posted as memo check 91240			(36,621.31)	36,621.31
"Auditor and Treasurer" fees on RITA deposits			(347.37)	0.00
Adjusted Book Balances			228,648.65	525,969.22
Balance per Bank				
First Bank of ABC (Main Checking)			228,605.75	470,903.66
First Bank of ABC (Payroll)			39,725.18	127.95
XYZ Bank (Savings)			36,621.31	58,401.15
Bank Transfers			(76,346.49)	0.00
Outstanding Checks:				
August 2018			(5,861.26)	0.00
September 2018			5,904.16	(5,904.16)
Deposits in Transit				
August 2018				0.00
September 2018				1,562.31
Adjusted Bank Balances			228,648.65	525,090.91
			0.00	878.31
				0.00

If the check figures in the ending balance column do not match each other, there is a formula error above. The adjusted book balances line is a sum of the line above it through the balance per books line. The adjusted bank balances line is a sum of the cell above it through the first cell in the bank section. The formula in all of the other cells in the ending balance column is the beginning balance + receipts - payments

When there is a formula error, instead of checking every row in column E, check the formula column E of the balance per books line and copy that formula all the way down to the line above the adjusted book balances line. The do the same for the first bank statement and copy the formula all the way down to the line above the adjusted bank balances line.

Reconciling Items in the Book Section of the Proof of Cash

Receipts

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- Deposits on bank that are not posted
- Interest on the bank statement that is not posted
- Deposit is higher on bank statement than what is posted (deposit underposted)
- Returned check on bank statement (posted as a negative revenue)
- Fees posted correctly as expense on a deposit that is posted at net instead of gross

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- Deposits posted on the books that do not clear the bank in the current month or the next month
- Bank transfers posted as revenues
- Auditor/Treasurer/RITA fees (gross on books net on bank)
- Deposit is lower on bank statement than what is posted (deposit overposted)

Payments

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- Withdrawals or checks that clear the bank but are not posted
- Checks that clear the bank but are voided on the system
- Withdrawal or check is higher on bank statement than what is posted (expense underposted)
- Bank service charges on the bank statement that are not posted
- Returned check on bank statement (if it is not posted, or if it is posted as a negative revenue)
- Fees not posted for a deposit posted at gross

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- Checks that are posted, but do not clear the bank and are not an outstanding check for a certain reason
- Bank transfers posted as expenditures
- Auditor/Treasurer/RITA fees (gross on books net on bank)
- Withdrawal or check is lower on bank statement than what is posted (expense overposted)