



BANK ACCOUNT RECONCILEMENTS

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding bank account reconciliements. These questions can be used to aid in designing a proper system of internal control over bank reconciliements that will allow incorrect bank reconciliements to be prevented or detected and corrected. It is not necessary to address all questions in this document. These are only suggestions and ultimately it is up to the unit on how they implement it. The internal control system as a whole has to be designed and implemented appropriately in order to allow errors made on the bank reconciliation to be prevented or detected and corrected in a timely manner.

Control Environment

The questions in this section are divided by questions that pertain to the governing board and management.

Governing Board:

	YES	NO
1) Does the governing board oversee the unit's internal control system over the preparation and review of the bank reconciliation?		
2) Are there written policies documenting internal control procedures over the preparation and review of the bank reconciliation? If yes, do these written policies outline the authority and responsibility for the preparation and review of the bank reconciliation within the unit and require bank reconciliements to be performed monthly?		
3) Does the governing board have a complete listing of all bank accounts?		

Management:

1) What procedures did management put in place for the preparation and review of the bank reconciliation and review of cash and investment balances?		
a. Does management assign responsibility, and delegate authority to achieve a correct bank reconciliation and ensure it is prepared monthly?		
2) Have all bank accounts been reported to management?		
3) Is management willing to adjust the financial statements for misstatements that approach a material amount?		

Risk Assessment

	YES	NO
1) Does management identify, analyze and respond to risks regarding the preparation and review of the bank reconciliation?		
a. What areas have been identified regarding the preparation and review of the bank reconciliation that may be exposed to risk?		
b. How has management analyzed and responded to identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and/or institute proper internal controls.		
2) How does management prevent fraud and errors in the accounting records, which are used to compute cash and investment balances. For example, are important internal control procedures in place such as approvals, regular preparation or review of reconciliations, review of supporting schedules or reports, etc.?		
3) What procedures are in place to ensure that the information reported on the bank reconciliation is correct and reflective of the accounting records and the bank reconciliation is performed monthly?		

Control Activities

	YES	NO
1) Is there a system of checks and balances (segregation of duties) to ensure a correct bank reconciliation?		
a. Are responsibilities for reviewing the bank reconciliation segregated from those preparing the bank reconciliation?		
b. Are responsibilities for preparing the bank reconciliation segregated from those involved in receipting and disbursing activities?		
c. Are responsibilities for preparing a reconciliation between the receipts ledger and the credits to the bank account segregated from those involved in the receipting process?		
d. Are responsibilities for preparing a reconciliation between the disbursements ledger and the debits to the bank account segregated from those involved in the disbursing process?		
2) Does management present the bank reconciliation to the governing board for review and approval?		
3) Are bank statements received directly by the appropriate level of management or another appropriate person and reviewed prior to routing to the individual who performs the bank reconciliation?		



	YES	NO
4) Does management or a designated individual review and check the accuracy of the bank reconciliation by comparing it to supporting documentation used and verify the bank reconciliation was performed monthly? If yes, is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
5) Are canceled checks examined to ensure vendors are recognized, signatures are by authorized signers and endorsements are appropriate?		
6) Are bank statements and cancelled checks examined to ensure checks are not issued out of sequence?		
7) Is the individual authorized to oversee the bank reconciliation knowledgeable in the bank reconciliation process?		
8) Does the individual authorized to oversee cash and investment balances understand the unit's recordkeeping system?		
9) Is there a checklist for the preparation and review of the bank reconciliation that includes the following		
a. Employee names with their responsibilities and duties		
b. Deadlines for completing the bank reconciliation		
c. Detail of supporting documentation required		
d. Supporting documentation required for all reconciling items		
10) Is there a periodic investigation of checks outstanding for a considerable time?		

Information and Communication

	YES	NO
1) Are procedures established to ensure that proper communication and documentation exists for internal communications between offices, departments, management and the governing board regarding the preparation and review of bank reconciliations?		
a. How does the unit internally communicate information to employees regarding the preparation and review of the bank reconciliation, including responsibilities for internal control? Are records maintained to document this communication?		
b. Are procedures established to ensure that the communication requirements are being followed and necessary information is being communicated properly?		
2) What procedures are in place to collect the information needed to complete the bank reconciliation?		
a. Does management use the most current information available to ensure the bank reconciliation is correct?		

Monitoring

	YES	NO
1) Are internal controls over the bank reconciliation process evaluated and adjusted on a regular basis? For example personnel changes, newly elected officials, new technology, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls regarding the preparation and review of the bank reconciliation?		
2) Are monthly reports detailing receipts, disbursements, cash and investment balances and appropriations of the funds provided to the appropriate department to review for accuracy and reasonableness?		
3) Are monthly reports detailing receipts, disbursements, cash and investment balances and appropriations of the funds provided to management to review for accuracy and reasonableness?		
4) Are monthly reports of receipts, disbursements, cash and investment balances and appropriations of the funds provided to the governing board to review?		
5) Does a confidential reporting system exist so that individuals may report suspected fraud and abuse of the unit's policies?		