

## **Bank Reconciliation Procedures**

All agencies using the North Carolina Accounting System (NCAS) must insure that the dollar amount of all checks outstanding in the NCAS agrees to the balance of cash in their Treasurers' disbursing account. As checks are written in the NCAS, cash must be moved, via the Cash Management Control System (CMCS), into the disbursing account to pay checks written. At any time, the balance in the disbursing account (deposits less checks cleared) must equal the amount necessary to cover the outstanding checks. The reconciliation is between the Office of the State Treasurer (OST), TR230, report which lists the transactions and the balance of the disbursing account, and the NCAS report, *AP-R0002*, listing the outstanding checks per the NCAS accounts payable system. The TR230 report is delivered by OST during the first week of every month for the previous month. On the 7<sup>th</sup> working day of each month, the Office of the State Controller (OSC) runs a program using OST cleared check information to create the NCAS check reconciliation reports, located in Systemware at OSCOPX MM170-1 CK RECONCILIATION.

Many factors come into play that effect cash. Checks generated using the NCAS will increase or decrease cash requirements as they are written or cancelled. Writing manual checks as well as creating Non-system (interfaced) checks will require manual adjustments to the cash requirements and financial system. These must all be taken into consideration when balancing amounts between the NCAS and the Treasurers' disbursing account.

### ***Finding the Errors and Computing the Reconciliation***

Start the reconciliation with the balance per the *TR230* report. This is the last balance listed on the Statement of Account section under the "Account Balance" column. This balance is compared to the outstanding balance per the NCAS *Payment Reconciliation Register (AP-R0002)*. As errors are discovered, adjustments are made to the appropriate balance until the two balances equal. In addition, there may be errors which do not create a difference between the two balances but still require corrective action (see procedures to follow). Finding the errors will be listed by deposits, warrants, and maintenance.

### ***Deposits***

Deposits to the account are made separately by budget code. Therefore, there may be several line items for each day's requisition of cash. Certain budget code requests require additional approvals which may create timing differences between date requested and date clearing.

1. A listing of all requisitions for the month should be obtained from your Cash Management Section.
2. Deposits clearing the bank per the amounts in the "Deposits" column should be compared to the listing and any differences will be a reconciling item. On the reconciliation, deposits clearing for more than the requisitioned amount will need to

be subtracted from the *TR230* balance and vice versa. The OST will need to be notified of this type of error and a correction will be expected.

3. Deposits not making the OST's statement before the close of the month will be a reconciling item, and should be added to the Treasurer's balance. No action is necessary for this item unless it fails to clear in the subsequent month. Example of this situation is if you run checks on the last day of the month and you requisition your cash on the first of the next month.
4. Deposits outstanding from the prior month that clear in the current month will need to be verified for accuracy. Any corrections will be the same as in item 2 above.

### ***Warrants (checks)***

Check information for NCAS system and non-system checks are kept in the NCAS AP module and used to account for checks cleared and outstanding. On the 7<sup>th</sup> working night of each month, a file of warrants which have cleared the disbursing account at OST are posted into the NCAS AP system and used to clear the outstanding warrants in the NCAS. As long as the check numbers match, the outstanding amount will be listed as the amount paid less the amount at which it clears. If this difference is zero, the check will not be printed on the subsequent month's outstanding check report (*AP-R0002*). If this difference is non-zero, unless changed manually, the beginning balance in the subsequent month will be listed as the net outstanding balance. Once a check has cleared, at any amount, its status is changed from open to cleared on the NCAS.

1. Among the month-end bank reconciliation reports is the *Reconciliation Error List (AP-F0010)*. This report lists checks that cleared the OST disbursing account and did not have a corresponding open check number on the AP outstanding check file. These errors will always require some type of investigation and resolution.

Following are typical examples and resolutions of these items:

- A check has cleared your account that was not issued by your agency. OST will need to credit this money back to your account. This will be an addition to the OST balance per the *TR230* report on the reconciliation. These are usually apparent because the check number is not in your numbering sequence. Occasionally, a copy will need to be requested from OST to verify this.
- The check number was keyed incorrectly by the clearing bank. The correct check number will have to be manually cleared off the AP outstanding check file.
- A check has cleared your account that is not listed as outstanding in the AP file. This situation occurs when a check has had a stop payment issued, has been canceled/delete, or has been previously cleared.

- Your Cash Management department will need to be notified if this check is to be honored so those funds can be placed back in the account. (The funds are removed at the time of stop payment, cancellation, or deletion.) This item will be an addition to the *AP-R0002* balance on the reconciliation.
  - If the check is not to be honored, OST will need to be notified so the check can be returned to the presenting bank and funds returned to the disbursing account. This item will be an addition to the *TR230* balance on the reconciliation.
  - The AP outstanding file has been corrected before a warrant correction has been issued by OST or a late return has been recleared by OST and the proper correction procedure was not performed by your agency. These items will have to be corrected manually in the AP outstanding check file. On the reconciliation, the net amount of the correction for that warrant will be reconciling item to the *AP-R0002* balance until the proper correction is made to the file. If the former outstanding balance for the warrant was a positive number, the net amount is a subtraction from the *AP-R0002* balance and vice versa.
2. Using the *Clearance Exception Report (AP-F0011)*. This report lists checks which cleared the OST disbursing account whose reference number matched an open check on the AP outstanding check file but the amount presented does not match the amount in the NCAS. Since the check has cleared the disbursing account per the OST and the outstanding check file for the same wrong amount, this will **not** cause an out of balance situation. However, the outstanding balance of the warrant on the AP file and the dollars remaining in the disbursing account are not correct until the warrant clears for the correct amount. These errors must be corrected at the OST and once corrected by them the checks will need to be cleared manually for the remaining amount in the NCAS using the PMN based on one of the following examples.

*Checks Clearing at an Incorrect Amount* requires a two step correction process. You will need to correct the AP outstanding check file. In addition, the Reconciliation/Certification Statement, which comes with the TR230, will need to be completed and returned to OST.

From this report, OST will issue an ADJUSTMENT ADVICE which corrects the bank account. Most items will be corrected by a warrant correction. However, if the difference between the incorrect and correct amounts of the check is greater than \$3, the check is deemed a late return. Even though late returns and warrant corrections appear on the same ADJUSTMENT ADVICE document, the deposit side of the correction will segregate late returns from warrant corrections. All warrant correction deposits from the same document will be a single line item deposit on the *TR230*.

- WARRANT CORRECTIONS – If the correction is a warrant correction, the check should be accessed on screen PMN and the cleared amount should be changed to the correct amount with the date changed noted on the adjustment advice.
  - LATE RETURNS – If the correction is a late return, the check should be accessed on screen PMN and reopened with a note made on the adjustment advice of the date reopened.
3. *Checks with No Match on Check Number* have two types which affect the AP outstanding check file.
- Manual agency checks entered with the wrong check number, i.e. keypunch errors in the check number field which keep the system from matching it when it clears the bank account, will need to be cleared manually. This is done on AP screen PCR. These should be listed as deductions from the AP outstanding check file balance until the correction is made.
  - Agency checks having cleared earlier at wrong amount are currently reclearing correctly because of a warrant correction or late return correction. If the clearing date and amount of the check has not been previously corrected, they will need to be corrected at this time. If the check was never cleared, use screen PCR to clear the check. If the amount was partially cleared the remaining balance should be cleared using the PMN screen.

Non-agency checks clearing your account do not require AP maintenance. OST must be informed in order to have this amount deposited back to your account. A copy of the check may need to be requested to determine whether the check is your agency's or not. Most times it will be evident from the check number.

## REPORTS

### **Systemware Daily Bundle MM171-1:**

#### **AP-F0012 – RECONCILIATION UPDATE**

This is generated if Non-system checks are added, canceled, deleted, or voided. If for any reason, the manual process of making a journal entry for these checks is overlooked, these will be reconciling items until the journal entry is made. This report will give you the individual check information to research the journal entry.

**Systemware Monthly Bundle MM170-1:** (processed on the 7<sup>th</sup> working day of each month)

**AP-F0010 – RECONCILIATION ERROR LIST**

This report is generated monthly listing checks which clear the bank account but do not find a check number match when the cleared checks list is run against the AP outstanding checks file. This report should be totaled and added to the “total cleared current period” amount on the last page of the monthly *AP-R0002* report. This sum should agree with the total of the warrants column on the *TR230* report. All items on this report will require some type of reconciling process.

**AP-F0011 – CLEARANCE EXCEPTION**

This report lists all checks which clear the bank at an amount different from the amount paid (the actual amount of the check). These are reconciling items to both sections and require maintenance of the AP outstanding checks file. Once the correct amounts have been established, these items need to be listed on the *TR230 Reconciliation/Certification Statement* and sent to OST for subsequent correction.

**AP-F0012 – RECONCILIATION UPDATE**

This report lists checks clearing for the current month in numeric order. The report lists the check number, payment and clearance amounts with the date, and whether it is a system or non-system check.

**AP-R0002 – PAYMENT RECONCILIATION REGISTER**

This is the most useful report for finding non-apparent reconciling items. The report is self evident except for the totals. Each BAP code has its own total page and the account has a total page at the end of the report. Items discussed below concerning the account totals are also true for the BAP code totals.

1. **OPENING BALANCE** – As maintenance is performed during the month, check balances are manually adjusted. If this occurs, the opening balance for the current month will not agree with the ending balance of the previous month. Changes to the opening balances of checks are accumulated and reported at the end of the total page as “cancellations for prior period check” and “cleared payments—prior period checks.” These will need to be taken into account when proofing the opening balance.
2. **TOTAL CLEARED CURRENT PERIOD** – This total should agree with the total per the *TR230*. However, the total is computed from the AP outstanding check file and totals all checks cleared between the beginning and end of month dates for the period. Therefore, any manual maintenance done to the file which inputs a date cleared within the range will be included in this total.
3. **TOTAL PAID CURRENT PERIOD** – This totals all checks added to the file for the period. The date comes from the payment date field (date written) and the same

date ranges mentioned in item 2 above apply to this total. Therefore, manual maintenance can cause this amount to need reconciling.

4. *TOTAL CURRENT OUTSTANDING* – Totals all checks listed in the current outstanding column.
5. *TOTAL UNRECONCILED DIFFERENCE* – Totals all non-open checks with a difference between amount paid and amount cleared. It should equal the total difference amount on the *AP-F0011* report. However, if errors are not corrected as the warrants clear, the difference will remain and be included in the total.

#### *AP-R0004 – OUTSTANDING PAYMENTS REPORTS*

It reports pertinent information for all outstanding checks sorted and totaled by BAP code. For Non-system checks, only check number, BAP code, payment date and amount are listed. For System checks, pay entity, vendor number and name are also listed.

#### WARRANT CORRECTIONS – ADVICE OF ADJUSTMENT

Corrections from OST will be documented on an advice of adjustment. For warrant corrections, there will generally be amounts in the “should be” and “adjust/deposit” columns of this form. OST will correct the bank account for checks clearing for the wrong amount will be corrected in one of two manners:

1. **WARRANT CORRECTIONS** – the incorrect amount for which the check cleared will be listed in the “deposit/adjustment” column. The correct amount for which the check will reclear will be listed in the “should be” column. If the difference between the two is less than or equal to \$3, the item will be classified a warrant correction. You will see a deposit for the incorrect amount and the checks will reclear at the correct amount on the date listed at the top of the advice of adjustment. One deposit item will be made on the *TR230* for all warrant corrections on the same document. Items where the difference is more than \$3 are late returns. These will show as a separate deposit on the *TR230*.
2. **LATE RETURNS** – A late return is handled the same as a warrant correction except that rather than the check reclearing at the same time, it will be returned to the presenting bank for correction and resubmission. The item will be shown as a deposit on the *TR230* report on the date of the advice of adjustment. However, there will normally be a delay of a few weeks before the check reclears at the correct amount.
3. **OTHER ADVICES OF ADJUSTMENT** are self-explanatory.

## **CORRECTION SCREENS**

### **PMN - Payment Maintenance screen**

To modify the date of or amount for which a check clears, you will need to enter the BAP code and check number in the appropriate fields on the screen. After entering this information, the check should appear at the top of the list of checks. To change a field, tab down to the field and type over the information in the field.

To open up a warrant which has previously cleared, tab to the open field and enter 'y'. This will open the payment back up at the original amount.

### **PCR – Payment Clearance screen**

To manually clear a warrant, you will need to enter the BAP code and check number in the appropriate fields on the screen. After entering this information, the check should appear at the top of the list of checks. To clear the payment, tab to the select field and enter an "S". The cleared date should be the date the item cleared per the *TR230* report entered in MM/DD/YY format. The amount field uses a decimal point.

Note: Do not use the All field on this screen.