

RECONCILIATIONS

PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. This policy sets guidelines for the various types of necessary reconciliations.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Town Accountant in keeping the general ledger up to date▪ Treasurer in maintaining a cash book and managing payroll withholdings▪ Collector and all other personnel within the Town, who have responsibility either for managing a receivable account and/or a special revenue fund
Scope:	<ul style="list-style-type: none">▪ The periodic reconciliation of cash, receivables, and special revenue fund records within departments and of those departmental records with the general ledger

POLICY

The Treasurer, Collector, and all other department heads with responsibility for managing a receivable account and/or a special revenue fund will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant according to the guidelines and periodic time frames outlined in this policy. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of the town's financial records.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within two business days of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts weekly and will complete full-month bank reconciliations within fifteen days of month-end. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will either document or correct them as appropriate. The Treasurer will then forward an Excel report of the cashbook reconciling detail and balances to the Town Accountant and, when needed, an additional Schedule of Treasurer's Receipts for any adjustments or further revenue for the period.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options. At the conclusion of each pay cycle, the Treasurer will forward a Schedule of

Department Payments to the Treasurer (turnover form) and Universal Payroll Associates Deduction Report of withholdings subject to vendor invoices (i.e., insurances) to the Town Accountant to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process.

To reduce the risk to the Town for liabilities in excess of withholdings, the Town Accountant will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results of these activities to the Treasurer to make any necessary payroll changes or adjustments. The Treasurer will verify and reconcile payments for all other withholdings and deductions that are automatically issued through the payroll system via electronic funds transfer or check to the actual disbursements.

C. Accounts Receivable Reconciliation

Accounts receivables are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, liens) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Collector and any department head with accounts receivable duties (each referred to here as “record-keeper”) will ensure that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year (if applicable), and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the record-keeper reduces a commitment according to processed collections, abatements, and exemptions and increases it by issued refunds. To maintain accuracy, the record-keeper must review the detailed list of receivables, identify credit balances as prepaid amounts, or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant. For the Collector, this is the Schedule of Outstanding Receivables.

D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are specific revenues segregated from the general fund and earmarked for specific purposes. They include gifts and grants from governmental entities, individuals, and organizations; revolving funds; and receipts reserved for appropriation. To ensure these funds are balanced, department heads with responsibility for special revenue funds will verify that all revenues turned over to the Treasurer, expenditures authorized for payment by the Town Accountant, and properly authorized transfers are recorded for the period. These department heads will subsequently provide the Town Accountant with reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the Town Accountant must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Town Accountant's responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Town Accountant identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer and Town Accountant must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Town Accountant must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for each control.
- Verify whether receipts are recorded to the correct type and levy year.
- Verify the dates that activities were recorded.

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by each record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must trace each ledger entry until they determine the reason for variance.

The Town Accountant will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Town Accountant must research any discrepancy and correct the record(s) as appropriate.

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 20th of the month following the one being reconciled. At each quarter-ending month, the Town

Accountant will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented by a worksheet cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will submit the collective set of reconciliation worksheets to the Select Board at each month's end.

G. Audit

All reconciliation activities are subject to audit by the Town's independent auditor.

REFERENCES

Policies on Antifraud, Disbursements: Accounts Payable, Disbursements: Payroll, Financial Management Team, Grants Management, and Revenue Receipt and Turnover

Division of Local Services Best Practice: [*Reconciling Cash and Receivables*](#)

Massachusetts Collectors & Treasurers Association: [*Treasurer's Manual*](#) and [*Collector's Manual*](#)

EFFECTIVE DATE

This policy was adopted on [date].