OJP TFSC

Bank Reconciliation

Guide Sheet

Grant Financial Management Requirement

The DOJ Grants Financial Guide states: "Award recipients must conduct a financial reconciliation of their accounting records to the final Federal Financial Report (FFR/SF-425) at closeout." Financial reconciliation is an accounting process that explains the difference, on a specified date, between the balance shown in two different accounts records.

Important Information to Know

For a bank reconciliation, you are making sure an entity's accounting records match the balance shown on the entity's bank statement. The difference that occurs is due to items reflected on the entity's accounting records that have not yet been recorded by the entity's bank. The bank reconciliation is used to compare the cash balance on the bank statement with the corresponding information presented in the general ledger. This process provides the opportunity to recognize irregularities.

What information is needed to reconcile a bank account?

The bank reconciliation requires the follow information:

- General ledger account balance for the bank account being reconciled.
- Bank statement, which is a document sent by the bank or financial institution showing the transactions posted to a bank account during a specific period (usually 30 days).
- Deposits recorded in the general ledger account, which have not yet been received and recorded by the bank.
- Checks written and recorded in the general ledger account but have yet to clear the bank account.

Deposits in transit—funds received and recorded in a company's records that have not yet been processed by the bank.

Outstanding checks—checks that were issued but have not yet been cleared by the bank.

What is the bank reconciliation process?

The first step of the bank reconciliation process is to compare the business records deposits to the bank statements deposits, and mark the items that are located on both records. Once that is completed, add the deposits in transit and deduct the outstanding checks and other bank errors/corrections to appropriately adjust the bank balance. The final part of the process is to adjust the cash balance by adding interest and receivables and deducting monthly charges and any overdraft fees. You can track these steps in the sample bank reconciliation statement shown in Exhibit 1.

Exhibit 1. Sample Bank Reconciliation Statement

Bank Reconciliation Statement Month ended March 31, 2020		
Ending balance as per bank statement		$100,000
Addition: Deposits in transit		$20,000
Deduction: Outstanding checks		
Check #547	$5,000	
Check #549	$3,500	
Check #560	$12,500	$21,000
Adjusted bank balance		**$99,000**
Ending balance per accounting records		$97,600
Receivables	$2,000	
Interest earned	$50	$2,050
Deduction		
EFT for utilities	$745	
Service charges	$45	$790
Adjusted cash balance		**$99,000**

How This Applies to Your Grant

Reconciliation throughout the grant is important in making sure that records are matching at the end of the accounting periods. Through reconciliation, grantees can identify errors and fraudulent activities and work toward addressing them. Per the DOJ Grants Financial Guide, grant fraud includes failure to adequately account for, track, or support transactions. Grantees have the responsibility to ensure that all their federal funds are accounted for and being used as authorized by OJP.

The appropriate internal control process is to provide for separation of duties for the individuals preparing the reconciliation. An employee who is not involved with recording cash receipts and disbursement of accounting transactions should be the one responsible for completing the reconciliations. This internal control process also helps deter fraud.

Additionally, all bank accounts should be reconciled at least monthly, within 30 days of receiving the bank statement. The reconciliation documentation should be saved so it is available during the annual audit process.

Reference

www.principlesofaccounting.com/chapter-6/bank-reconciliation

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.

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