

CITY OF ALLENTOWN

Bank Reconciliation Review For the month end date: 10/31/19 Date of Report: January 22, 2020

OBJECTIVE

The objective of the monthly bank reconciliation review is to verify that bank transactions are complete, timely and accurately reported on the City of Allentown's accounting records for financial reporting purposes. It is also to determine whether the bank reconciliation prepared, and their corresponding schedules comply with the requirements of the policies, guidelines, and procedure outlined in the AIMS and to identify any areas for improvement.

PROCEDURES

A review of all the bank reconciliations prepared for the period tested including a review of the supporting schedules, outstanding items and their corresponding documentation.

of bank reconciliations prepared: 24

\$ Amount of the bank reconciliations reviewed for the period: \$44,950,565.65

AGING OF OUTSTANDING ISSUES

ISSUE #	ISSUE	MONTH ISSUE FIRST APPEARED ON A BANK RECONCILIATION	MONTHS OUTSTANDING AS OPEN ISSUE ON THE BANK RECONCILIATION AUDIT REPORT	ORIGINAL AUDIT REPORT DATE
1	Unreconciled Difference on the Bank Reconciliation	07/2019	2	10/15/19
2	Checks Not Voided on ARP	04/2019	4	08/16/19
3	Deposit in Transit	02/2019	4	08/16/19
4	Untimely Bank Reconciliations	**	***	03/16/15

** - Ongoing issue since before 2013.

*** - This issue has improved significantly. In the past year, the average age of the bank reconciliations has been 2 – 3 months vs. 6 – 8 months when it was first reported in 03/2015.

The following Bank Accounts were closed with Wells Fargo in March 2018: Accounts Payable, Payroll and Pension Payroll. All outstanding balances were cleared to zero, it is unclear how the issues were resolved.

FINDINGS, RECOMMENDATIONS AND ADMINISTRATION'S RESPONSES

PREVIOUSLY REPORTED ISSUES

Changes to Previously Reported Issues (Last Report Date)

1. Unreconciled Difference on the Bank Reconciliation

The Payroll bank reconciliation has 3 unreconciled difference of: \$8,444.27, \$279.17, and \$0.10. The differences represent 15% of the total balance.

Original Issue (Original Report Date 10/15/19)

The Payroll bank reconciliation has an unreconciled difference of (\$10.28). The difference appears to be due to timing of various transactions.

Recommendation

Administration should revisit the reconciliation and the difference should continue to be researched and if not reconciled within a reasonable time, the difference should be adjusted on the books.

Administration's Response

Administration agrees with the recommendation and will revisit the difference as it may be resolved with the timing of various transactions.

2. Checks Not Voided on ARP

We identified:

- 18 checks totaling \$8,668.57 voided on the AP Cash Sub and EDEN but not on the ARP.
- 1 check totaling \$560.25 voided on the Payroll Cash Sub and EDEN but not on the ARP.

Original Issue (Original Report Date 08/16/19)

We identified 3 checks totaling \$32,657.55 voided on the AP Cash Sub and EDEN but not on the ARP.

Recommendation

To provide a proper bank audit trail, voids should be posted on the Bank's ARP on a timely basis.

Administration's Response

We agree and will put a process in place to correct this.

3. Outstanding Deposits in Transit

A deposit in transit is money that has been received and sent to the bank but has yet to be processed and posted to the account by the bank. Deposits in transit should be a timing difference and typically clear the bank in a few days.

The Central Treasury bank reconciliation has 9 outstanding deposits totaling \$152.70 in-transit since 02/2019 and \$4.71 since 09/2019.

Original Issue (Original Report Date 08/16/19)

A deposit in transit is money that has been received and sent to the bank but has yet to be processed and posted to the account by the bank. Deposits in transit should be a timing difference and typically clear the bank in a few days.

The Central Treasury bank reconciliation has 9 outstanding deposits totaling \$152.70 in-transit since 02/2019.

Recommendation

Deposits in transit that do not clear the bank within a month should be investigated.

Administration's Response

We agree and are currently putting a process in place to correct this.

Issues Previously Reported and Unchanged (Last Report Date)

4. Untimely Bank Reconciliations

21 out of the 24 bank reconciliations reviewed were 3 months old.

Original Issue (Original Report Date (03/16/15))

21 out of the 23 bank reconciliations reviewed were 6 months old.

Recommendation

Bank reconciliations should be done monthly and in the month of receipt of the bank statement.

Administration's Response

Treasury is in the process of reconciling the cash accounts in a timelier manner. We are currently in the process of reconciling June. Since we receive the bank statements around the 15th of the following month it is difficult to have them done in a two-week window. We are striving to have them done within one month of receipt of the statements.

Additional Auditor's Comment

As of 04/01/15 the December 2014 Bank Reconciliations have not been started.

The decision to transition the task of completing the bank reconciliations to Finance was communicated to Treasury in 10/2014 and reiterated in 01/2015.

