

CITY OF ALLENTOWN

Bank Reconciliation Review For the month end date: 01/31/2020 Date of Report: April 13, 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: \$37,7528,674.51

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	Deposit in Transit	02/2019	6	08/16/19
2	Checks Not Voided on ARP	04/2019	6	08/16/19
3	Outstanding Book Adjustments	10/2019	1	03/17/20
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.

FINDINGS, RECOMMENDATIONS AND ADMINISTRATION'S RESPONSES

PREVIOUSLY REPORTED ISSUES

Changes to Previously Reported Issues (Last Report Date)

1. 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 35 outstanding deposits totaling \$808,274.46 in-transit since 12/2019.

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.

2. Checks Not Voided on ARP

We identified:

- 14 checks totaling \$54,338.71 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. These have been corrected but won't appear on the ARP until February.

3. Outstanding Book Adjustments

We identified 1 outstanding book adjustments on the Payroll Bank Reconciliation as follows:

- 11/2019: \$95.80

Original Issue (Original Report Date 03/17/20)

We identified 2 outstanding book adjustments on the Payroll Bank Reconciliation as follows:

- 10/2019: (\$246.32)
- 11/2019: \$95.80

Recommendation

Identified book adjustments should be posted to the Cash Subs on a timely basis.

Administration's Response

We agree with the recommendation and will put a procedure in place to address the correction timelier. Often payroll reconciliation items correct themselves the following month. When they don't, they need to be researched and corrected.

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.