

The Importance of Cash Reconciliations

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School district cash reconciliations are one of the most important parts of operations. These reconciliations help ensure that districts operate with accounting information that is as accurate and reliable. It is also required per the Uniform System of Financial Records for Arizona School Districts (USFR) and a functioning system of internal control.

The parties involved in this process are the school district, the County Treasurer, and/or the County School Superintendent's Office. Depending on which county your district is located in, the process can vary. Some county school superintendent's offices may have access to your district's accounting system and will reconcile cash between their accounting system and the County Treasurer and between their accounting system and your district's. Other county school superintendent's offices may only reconcile between their system and the County Treasurer, leaving the district responsible for reconciling its cash to the county school superintendent's office.

Per the USFR, the reconciliation process between the district and the county school superintendent should include these procedures:

- The district should obtain the county school superintendent's Monthly Report of Revenues, Expenditures, and Ending Cash Balances and the district's general ledger.
- The district should compare each fund's ending cash balance according to the district's records to the fund's ending cash balance on the county school superintendent's report. If these amounts do not agree, individual revenue and expenditures transactions must be compared.
- At fiscal year-end, the district should compare total revenues and expenditures according to the district's records to total revenues and expenditures according to the county school superintendent's records.

- Differences should be resolved timely, and the reasons for the differences should be documented.

The reconciliation process between the district and the County Treasurer should include these procedures:

- The district should obtain the treasurer's report of the previous month-end account balances, the treasurer's paid warrants listing, and the district's general ledger.
- The district should prepare or obtain a listing of outstanding warrants.
- The district should compare each fund or treasurer's account ending cash balance according to the treasurer's report of the previous month-end account balances to the ending cash balances per the district's records.
- Differences should be resolved timely, and the reasons for the differences should be documented.

Some common reasons for reconciling items include:

- Timing differences of when revenues and expenditures are recorded
- Transfers or journal entries omitted or not recorded correctly
- Misclassification of revenues
- Clerical or mathematical errors
- Risks arise if cash reconciliations are not completed in a timely manner. Some examples include:
 - Making important decisions using incomplete information
 - Reporting inaccurate information in the financial statements

As your auditors, we have to ensure that the cash balances reported in the financial statements are fairly presented for financial audit purposes and that reconciliations are being completed for compliance and internal control purposes. As part of our review, we review the district's reconciliations and ensure that districts are properly reviewing them and addressing and documenting reconciling items in a timely manner.

With all of that in mind, districts should ensure that cash reconciliations are completed with reconciling items addressed and documented. By completing these tasks timely, it can save the district time and headaches in the long run!