



## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, mitigate fraud, and safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. 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. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services, and complete audits. This type of failure also may adversely affect the Town's bond rating. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### APPLICABILITY

This policy applies to the Treasurer Collector Town Accountant, or their designees, and to the heads of other department with accounts receivable responsibilities (e.g., Police, Fire).

### POLICY

The Treasurer/Collector and all department heads with accounts receivable duties 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.

All data entry access to the general ledger (and all its subledgers) shall be restricted solely to Accounting office staff. This segregation is necessary to maintain the general ledger's integrity as the official record of the Town's accounting activity.

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that contains up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within two business days of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within five days of receiving bank statements. These shall include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

Reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the Treasurer/Collector's cashbook and financial institutions, will be identified and corrected when appropriate. The Treasurer/Collector will then forward a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts for any adjustments made to the Town Accountant.

## B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, insurances, association dues, and other employer-sponsored options, which are all maintained in separate accounts. The Treasurer/Collector will

ensure that all employee and employer contribution portions of withholdings are recorded and reconciled to the general ledger monthly. To reduce the risk to the Town for liabilities more than payroll withholdings, the Treasurer/Collector shall identify and report any discrepancies between the general ledger withholding accounts and applicable vendor/recipient accounts payable. The Treasurer/Collector will then forward the results of these activities to the Town Accountant.

## C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed records (i.e., taxes and excise) or from uncommitted department records (e.g., work details, ambulance charges). To ensure these assets are accounted for and balance, the Treasurer/Collector and the department heads with accounts receivable duties (the “record-keepers”) will make certain that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year, 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 collections, abatements, and exemptions processed and increases it by refunds issued. 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, charges, abatements, refunds, chargebacks, reclassifications) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector
- Determining whether any inappropriate revenues were 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 monthly.

## D. 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 – C 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/Collector, so that in theory, they should be in balance with the cashbook. However, errors may happen 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/Collector to determine the cause(s):

- 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/Collector must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any mistakes.
- Compare the total number 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/Collector and Town Accountant must go through each entry to the ledger until they determine the reason for variance.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Treasurer/Collector against the general ledger and make changes to the ledger as needed.

Committed and uncommitted accounts receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control sheet 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 the 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 go through each ledger entry until they determine the reason for variance.

#### E. Time frames and Documentation

The financial officers shall complete reconciliations of their internal accounting records early each month so that the subsequent reconciliations to the general ledger take place no later than [the 20<sup>th</sup>] of the month following the one being reconciled.

The financial officers who jointly complete each general ledger reconciliation will sign reconciliation worksheets. In each month, if any variation has not yet been fully resolved, this must be noted along with a work plan and timetable for resolution. The Town Accountant shall collectively submit the reconciliation worksheets to the Town Administrator by each month's end.

F. Audit

All reconciliation documents are subject to audit by the independent auditor.

**REFERENCES**

DLS Best Practices, [Reconciling Cash and Receivables](#)

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

**EFFECTIVE DATE**

This policy was adopted February 2024