

## What to Look Out for when Reviewing Bank Reconciliations

by Jill A. Shaw, CPA, Audit Partner



The bank statement reconciliation process is one, if not the most critical, of an organization's internal controls. To ensure appropriate segregation of duties, it is important that bank statements and reconciliations are reviewed by someone other than the preparer, especially in organizations with a small staff where the individual reconciling is involved in the receipting or disbursement process.

If you are responsible for reviewing bank reconciliations, here are some guidelines of what to look for. Consider developing a checklist that encompasses these steps.

- Check that the bank reconciliation was done timely after the receipt of the bank statement. Merely the knowledge that account balances and cash transactions are being responsibly reviewed every 30 days significantly reduces the risk of fraudulent activity.
- Scan the bank statements for unauthorized electronic debits or cash transfers.
- Agree the ending balance on the bank statement to the bank balance noted on the reconciliation.
- Agree the Adjusted Book Balance noted on the reconciliation to the Balance Sheet.
- Review cancelled check images for unusual endorsements or signatures.
- Scan cleared checks on the reconciliation to ensure they appear as expected. Also look for potential duplicates.
- Investigate any checks written for an amount just below the organization's threshold for approval.
- Review outstanding checks for reasonableness. Outstanding checks that do not clear timely should be investigated and periodically written off in accordance with the Organization's policy.
- Investigate unusual deposits in transit. Deposits in transit should be recent (within a few days of month end).
- Investigate recurring reconciling items and those with limited or unusual descriptions. Any item that raises a question should be investigated further.

After completing your review, initial and date the reconciliation as documentation of your review. Your auditors will thank you later!

Posted 18th January by [Heinfeld, Meech and Co., P.C.](#)

Source: <http://npoaccounting.blogspot.ca/2017/01/what-to-look-out-for-when-reviewing.html>