



Agenda Item: Discuss and Consider Approval of The Park Board of Trustees of the City of Galveston Bank Reconciliation Policy, Procedures, and Controls Manual

Background: Staff has developed a policy and procedure manual to facilitate efficient and effective bank reconciliations. It establishes internal policy that governs bank reconciliations and provides segregation of duties for regular and online banking. The policy and procedures provide direct information and instructions by which the Chief Financial Officer (CFO), Controller, Senior Accountant and other staff and will perform bank reconciliations in a transparent and consistent manner.

The Park Board bylaws, Article III, states, in pertinent part: “The Park Board may make such regulations, policies, and rules for the handling of its affairs as it may in its discretion deem advisable and... that such management practices must conform to applicable law.”

Article XIV of the bylaws states: “Park Board management policies shall be the Park Board operations guidelines. They may be adopted from time to time by the Park Board and shall be reviewed as necessary.”

The policy will be reviewed, evaluated, and revised as necessary.

While staff wrote the policy, they also worked with the City Auditor to develop the procedures and controls that will help ensure the policy is adhered to.

Staff Recommendation: Staff recommends approval of the Bank Reconciliation Policies, Procedures, and Controls Manual



The Park Board of Trustees of the City of Galveston Bank Reconciliation Policies, Procedures, and Controls Manual

Approved by: _____
Kelly de Schaun, Chief Executive Officer

Effective Date: _____
Board Approval Date: _____


Section 1. Identification of Reconciled Bank Balances

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Procedure 1.0 – Bank Account Reconciliation Summary

This procedure applies to all bank accounts held by the Park Board. A one-page summary of all Park Board bank accounts showing the reconciled general ledger balance of each account should be readily available to all Trustees monthly. Frequent bank reconciliations are essential to prevent fraud and ensure that Park Board funds are handled with fiscal and fiduciary responsibility. This summary shall be named “Bank Account Reconciliation Summary” and filed in a central file where Trustees can review it at their convenience.

Example: Bank Account Reconciliation Summary

EOM MARCH 2021				MOODY NATIONAL BANK					
ACCOUNT	DATE	ACCOUNT TYPE *	ANNUAL % YIELD EARNED	BEGINNING BALANCE	DEPOSITS/ REDEMPTIONS	CHECKS/ PURCHASES	INTERFUND TRANSFERS IN	INTERFUND TRANSFERS OUT	ENDING BALANCE
OPERATING	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
OPERATING CD #1	31-Mar-21	CD		\$540,000.00					\$540,000.00
FEMA Construction	31-Mar-21	MMA	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
PAYROLL	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
VISA/MC	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
RESTRICTED PARKING	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
URBAN PARK PARKING	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
SUB TOTAL OPERATING					XX,XXX.XX				XX,XXX.XX
HOTEL TAX	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
INVESTMENT - HOTEL	31-Mar-21	CD		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RESTRICTED ARTS	31-Mar-21	N/A		THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF FEB.
SUB TOTAL HOTEL TAX					XX,XXX.XX				XX,XXX.XX
HOTEL TAX COLLECTION	31-Mar-21	N	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
SERIES 1994 IMPROVEMENT FUN	31-Mar-21	MMA	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
RESERVE FUND	31-Mar-21	MMA	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
INTEREST & SINKING FUND	31-Mar-21	MMA	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
SERIES 1999 IMPROVEMENT FUN	31-Mar-21	MMA	X.XX%	THE ENDING BAL. OF FEB.	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX	THE ENDING BAL. OF MAR.
SUB TOTAL OF FUNDS					XX,XXX.XX				XX,XXX.XX
TOTAL OF ALL ACCOUNTS					XX,XXX.XX				XX,XXX.XX

* N=NOW Acct.; MMA=Money Market Acct.

** Rate = .48% below weekly published auction rate of 91 day US Treasury Bill
 *** Rate = .73% below weekly published auction rate of 91 day US Treasury Bill

This report complies with the Investment Policy adopted by the Park Board of Trustees in September 1997.

Investment Officer

Overview

The Chief Financial Officer will develop and maintain documented procedures for reconciling each bank account held by the Park Board of Trustees of the City of Galveston to ensure:

1. All receipts and disbursements are recorded.
2. Checks are clearing the bank in a reasonable time.
3. Reconciling items are appropriate and are recorded timely.
4. The reconciled cash balances agree to the general ledger cash balances.

Procedure 2.1 – Reconcile Unmatched Items

This procedure provides that the Accounting Department work together with the cashiering locations and departmental managers to identify and resolve reconciling items on a timely basis. Any identified unmatched book/bank lines or other reconciling items will be corrected on the Park Board's financial statements.

Bank account reconciliations will be prepared by the senior accountant (Preparer), signed/approved by the controller (Approver), and reviewed by CFO (Reviewer). The approver's signature on the bank account reconciliation summary will confirm that current procedures were followed, and that the reconciliation accurately presents the status of the account at the bank and the general ledger.

Procedure 2.2- Bank Reconciliation Procedure:

1. Review all issued checks that have cleared the bank on the bank statement. Any check amounts listed by the bank differ from the amounts listed in the general ledger should be investigated. If appropriate, prepare a journal entry to correct the bank balance. All checks not cleared should be listed on the bank reconciliation as outstanding.
 - a. The Senior Accountant and/or the Controller will periodically review outstanding checks, and will determine the appropriate action to be taken (e.g. issue stop payment, reissue check, escheat, etc.)
2. Review all deposits that are listed as having been received by the bank on the bank statement. Any deposit amounts listed by the bank differ from the amounts listed in the general ledger should be investigated. If appropriate, prepare a journal entry to correct the bank balance. All deposits not cleared should be listed as deposits-in-transit on the bank reconciliation.
3. Make a separate journal entry for each special revenue or expense item on the bank statement that is not accounted for through the normal accounts receivable, cash receipting, payment request and/or accounts payable process, such as a monthly account processing fee.
4. Review all manual checks. Record any manual checks in the accounting system not previously recorded in the system but listed on the bank statement as having cleared the bank. If there are any concerns with any checks, they should be immediately discussed with the Controller and Chief Financial Officer.
5. If all items reconcile and the bank statement still does not match the general ledger, a possible cause is that the beginning bank balance was incorrect. Verify that the ending bank balance for the preceding month was calculated correctly.
6. Review all entries resulting from the bank reconciliation, determine which ones were the result from transaction errors, and meet with the accounting staff to determine remediation steps to keep these errors from occurring in the future.
7. Submit all journal entries and completed bank reconciliation to the Controller. The Controller will review and approve the reconciliation. If the Controller CAN NOT approve the reconciliation, the Controller will work with the Preparer to resolve any issues.
8. After the Controller approves the reconciliation, the bank reconciliation and pertinent documents will be provided to the Chief Financial Officer for final review.
9. When the reconciliation is complete, store it in the protected e-file (Docsvault) with the bank statement in a bank statement file for the current year. The file should be sorted by month.

Procedure 2.3 – Example: Bank Account Reconciliations Activity

CONSTRUCTION FUND Bank Account Reconciliation

Step 1 – At the beginning of the month, Go to Online Banking (moodybank.com) to download the bank statement for last month and save as PDF version into Docsvault

Step 2 – Go through ALL items showed at bank statement, and then identify the Abila Batch Number for them

Step 3 – Make a separate cash receipt or journal entry for each special expense or revenue item which should be approved by controller

Step 4 – Go to Reconcile Cash Accounts (Abila) home page, and add "new" bank reconciliation for the last month. Enter the reconciliation date and the ending balance showed at bank statement at the homepage

Step 5 – Reconcile the items showed at bank statement with the one at Deposits Tab in Abila

Step 6 – For the unreconciled items, they need to be manually entered into Suspense Items Tab until researched and adjusted for.

Step 7 – After reconciled, the Unreconciled Difference must be ZERO

Step 8 – Run the Reconciliation Report from Abila and save as PDF version into Docsvault

Step 9 – Enter the reconciled balance on to the Summary of Reconciled Bank Balances

Step 10 – Submit the Bank Account Reconciliation Summary and other pertinent documents to the Controller for approval and to the Chief Financial Officer for final review

Procedure 2.4 – Segregation of Duties for Bank Reconciliations

Below is the segregation of duties as it relates to bank reconciliations:

- Collect accounts receivable: General Fund→Senior Accountant; Parks→Staff Accountant/Accountant Clerk)
- Open the mail or copy check received: Accounting Clerk
- Prepare deposits: Department Staff & Staff Accountant
- Deposit cash receipts: Staff Accountant (Plaza only)
- Post cash receipts to the receivables sub-ledger: Senior Accountant & Controller
- Review the receivables sub-ledger: Controller
- Review the receivables aging trial balance: Controller & CFO
- Authorize write-offs of delinquent accounts: CFO
- Maintain or authorize receivable adjustments: Controller
- Edit the receivables master file: Controller
- Investigate discrepancies or issues related to revenue: Controller & CFO
- Review, authorize or sign checks: CEO, CFO, COO, Controller
- Initiate checks for expenditures: AP Clerk
- Prepare checks: AP Clerk
- Mail checks: AP Clerk
- Edit the vendor master file: AP Clerk
- Investigate discrepancies or issues involving expenditures: Controller & CFO
- Open the mail or copy checks received: Staff Accountant & Accounting Clerk
- It may be necessary to deviate from the segregation of duties if the operations needs to the organization require it

Procedure 2.5 – Segregation of Duties for Online Banking

Below is the segregation of duties as it relates to online banking:

- View Online Bank Accounts - Staff Accountant and Accounting Clerk, AP Clerk, Senior Accountant, Controller, & CFO
- Typical Interfund transfers – AP Clerk, Controller, CFO
- Interfund Transfers for Cashflow, Payroll and HOT Distributions – Controller, & CFO
- ACH and Wire transfers, and Online Payment preparation – Controller and CFO.
- Submits & Initiates Payroll Direct Deposits to Bank – Controller, & CFO
- Approval of Wire Transfers and ACH Payments- (2 required) CEO, CFO, COO, or Controller
- It may be necessary to deviate from the segregation of duties if the operations needs to the organization require it

Control 2.6 – Check Stock, Supporting Documents, and Check Signers

This control itemizes manual cash disbursement controls, in which there is oversight of the check stock, supporting documents, and check signers. Controls are as follows:

1. **Secure the Check Stock**. All check stock will be in a locked storage cabinet. The combination of or the key to the storage cabinet's lock will not be in a public location.
2. **Wycom Electronic Check Signer**. The check printer requires two electronic keys to be turned on online through the Wycom Portal to activate. The admin (Controller) and the following:
 - A. AP Clerk for AP Checks
 - B. Payroll Clerk for Payroll Checks
 - C. Accounting Clerk for ACH and online payments (Dummy Checks) all marked "ACH"

All AP checks over \$10,000 and Payroll Checks over \$2,000 require two manual signatures.

3. **Avoid Signing Blank Checks**. The check signer will not sign a blank check under any circumstances.
4. **Compare Check to Voucher Package**. The AP Clerk will review the backup information in the voucher package attached to each check, compare the dollar amount of the voucher package to the amount being paid on the face of the check, and bring unauthorized payment instances to the attention of the Controller and CFO. The AP Clerk will submit a summary sheet of all checks processed requiring 2 signatures of either the CEO, CFO, COO, or the Controller
5. **Destroy Canceled Checks**. All canceled checks will be stamped with the word "Void" and electronically stored in a Docsvault. Physical check will be shredded.
6. **Segregate Bank Reconciliation Duties**. The person reconciling the bank accounts will have no responsibility for or access to any disbursement functions.

Control 2.7 – Check Payments

The following controls provide additional security over check payments, they are:

1. **Signatory Authority.** The Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Controller have signatory authority on all checks requiring manual signatures. These individuals are referred to as check signers. The Controller will maintain the check signatory authority with the Park Board's bank. The Controller will only manually sign checks in instances when two of the three other check signers (the CEO, CFO, or COO) are not available.
2. **Require a Manual Signature on Large Payroll Checks.** Two check signers must review and manually sign all payroll checks **\$2,000** or more.
3. **Require a Manual Signature on Large Checks.** Two check signers must review and manually sign all checks **\$10,000** or more.

Note: The Controller's signature may appear on checks cut that are under the thresholds mentioned in Control 2.7.

Control 2.8

Basic check handling controls are as follows:

1. **Endorse Checks “For Deposit Only.”** Employees opening mail (mail stop numbers) will stamp incoming checks with a “for deposit only” stamp.
2. **Review Restrictive Endorsements.** The accounting department will review checks for restrictive endorsements and forward any such checks to legal counsel before cashing them.
3. **Review Unapplied Cash.** The accounting department will promptly contact Payors of incoming checks to the Park Board regarding the proper disposition of cash receipts when there is no information regarding the invoice number to which they are to be assigned.
4. **Review NSF Checks.** The accounting department will route nonsufficient funds (NSF) incoming checks to the legal department for further action only after an unsuccessful follow up with the Payor to remedy the payment.

**SUGGESTED POLICED FOR BANK RECONCILIATIONS FOR THE BOARD OF TRUSTEES OF THE
PARK BOARD OF GALVESTON TEXAS TO ADOPT**

The Chief Financial Officer will notify the Board of Trustees as soon as possible of potential shortages or problems with the submission of the reconciled bank account balances.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

Procedure 3.1

This procedure requires the Park Board Chief Financial Officer to notify the Chairman of the Board upon completing monthly bank reconciliations of any potential cash shortages or problems in a time period not to exceed three days from discovery. Bank reconciliations are to be completed monthly.