

INTER-OFFICE MEMORANDUM

CITY OF HARRISBURG

August 14, 2014

TO: Ben Allatt, Budget and Finance Committee Chair
City Council

FROM: Charlie DeBrunner, Controller
Office of the Controller

SUBJECT: Cash Reconciliations

Cash is regarded as an inherently risk prone asset. It is universally accepted that reconciling an entities general ledger cash accounts to the corresponding bank balances is a fundamental internal control activity. Reconciling cash in an accurate and timely manner provides management a level of assurance that valuable assets are being safeguarded and that financial account balances can be relied upon to meet financial obligations. Given this important role, I would like to inform the Audit Committee on the current state of the city's cash reconciliation process.

The Office of the Treasurer manages the city's receipt and disbursement of cash. Bank statements are received by the Office of the Treasurer and cash reconciliations are processed on a monthly basis. Bank transactions generated in the Treasurer's Office are reconciled to ledger entries posted by the Accounting Office in the Department of Administration. The Treasurer is unable to post any transaction directly to the ledgers. As of the date of this memo, the Office of the Treasurer has reconciled the city's cash accounts through January 2014 (Jan 2014 reconciliations attached).

I am alarmed that this critical process has not been performed on a timely and consistent basis for many years. Based on personnel inquiry and inspection of the current month reconciliation, several conclusions are apparent:

1. Cash reconciliations have not been processed in a timely manner - sometimes as late as a year. They are currently four months past current.
2. Reconciling items are not being monitored and corrected in a timely manner. Reconciling items are often extensive. It is not unusual for items to remain on subsequent reconciliations for a year or more.
3. The nature and extent of the reconciling items has devolved into a type that is very difficult to carry and rectify. These adjustments are often from transactions posted to a prior period that has been closed. These entries create roll-forward balances that are different than the preceding periods ending reconciled balance.

I believe it should be a top priority for the Administration to begin working collaboratively with the Office of the Treasurer to research and clean up all existing items on the January 2014 reconciliations. Additionally, the following procedures should be implemented regarding all future reconciliations:

1. All reconciliations should be carefully reviewed by an appropriate individual in the Bureau of Financial Management.

2. All reconciling items that require journal entries should be processed by the Bureau of Financial Management prior to the Treasurer's completion of subsequent reconciliations.
3. No adjustments to cash should be made to prior periods during the fiscal year.
4. Any proposed cash adjustment required by the Bureau of Financial Management during the fiscal year-end close process should be coordinated with the Office of the Treasurer, along with the timing and effect of any related reversing entry.

I believe the four items above would greatly increase the timeliness and efficiency of the monthly reconciliation process. Please feel free to contact me if you have any questions. Thank you.

cc: John Campbell, Treasurer
Audit Committee, via Brian Ostella
Celia Spicher, Deputy Treasurer
Bruce Weber, Finance Director