BUSINESS AND FINANCE DEPARTMENT Effective Date: Upon Approval
General Accounting

BANK RECONCILIATIONS

Policy Number	501-01
Approval Authority	TSU Board of Trustees
Responsible Administrator	Controller
Responsible Office	Business and Finance
Policy Contact	Director of General Accounting and Financial Reporting

1.0 POLICY STATEMENT

Tennessee State University Bank Reconciliations' policy requires all incoming and outgoing funds from its bank accounts to be recorded in the general ledger promptly. Monthly Bank Account Reconciliations are crucial for preventing fraud, identifying errors, managing cash flow, and ensuring that the university's funds are managed with fiscal responsibility and oversight. In essence, this bank reconciliation policy is key to maintaining the financial health, security, and integrity of the institution, safeguarding it against errors, fraud, and other risks.

2.0 IMPORTANCE AND REASON FOR THE POLICY

A bank reconciliation policy is crucial for ensuring accurate financial records and upholding the integrity of the university's accounting processes. Bank reconciliations must be completed promptly in accordance with governmental accounting standards and for audit purposes. A thorough bank reconciliation policy also aids in detecting fraud, quickly identifying errors, improving forecasting, preventing financial mismanagement, and ensuring the university is always audit-ready.

If the university neglects to perform the required bank reconciliations, it can lead to errors in financial records, including accounting misclassifications, unsupported expenditures, and missing documentation. These issues can have negative consequences, including:

- Difficulty in detecting fraud such as theft or altered checks
- Errors in accounting records leading to incorrect financial statements
- Flawed data leading to poor financial decision-making
- Negatively impacting the university's cash position

- Funding agencies may hold or withdraw funding

3.0 DEFINITIONS

A. **Bank Account Reconciliation** – The "Bank Account Reconciliation" is the process of confirming that the bank statement is valid and accurate, that transactions are correctly reflected in the general ledger account, and that the ending balance on the general ledger account is accurate. Any differences should be identified, reconciling items investigated, and balances adjusted appropriately.

B. **Bank Statement** – The "bank statement" is a paper or electronic record of all financial activity for a given month, provided by the bank.

C. **General Ledger** – The "general ledger" contains all the university's financial transactions.

D. **Reconciling Item** – A "reconciling item" is a transaction or item that represents a difference between the general ledger and the balance in a subsidiary ledger, supporting schedule, or external document (e.g., bank statement). All reconciling items should be investigated and adjusted or explained and supported by appropriate documentation. A reconciling item of 'bank-to-book' represents a deposit/withdrawal that appears on the bank statement but not on the general ledger. A reconciling item of 'book-to-bank' represents a deposit/withdrawal recorded in the books but not yet reflected by the bank.

4.0 PROCEDURES

I. Preparer. Bank Account Reconciliations are to be prepared by a designated staff member within the General Accounting department, ensuring accuracy and compliance with financial regulations. This role involves thoroughly reviewing and verifying the financial records against bank statements to identify discrepancies, thus contributing to the organization's overall financial integrity. Preparers are also responsible for aging reconciling items and flagging any that exceeds the thresholds defined in Section V of this policy.

II. Reviewer. In the financial management process, it is essential that Bank Account Reconciliations signed by the preparer undergo a thorough review by the Director of General Accounting before receiving final approval from the Controller. This two-step verification approach not only enhances the accuracy and integrity of financial records but also ensures accountability within the Business and Finance Department. By implementing such a protocol, TSU seeks to mitigate the risk of errors and discrepancies, ultimately fostering a more reliable financial reporting system.

III. Reconciliation Timeframe. Each bank account should be reconciled within 30 days following the conclusion of each month. This ensures that all transactions are accurately

aligned with the bank statements, discrepancies are promptly addressed, and financial records remain up-to-date and precise.

IV. Outstanding Ledger Items. Clearing account balances should be clearly identified and reported as outstanding items within the general ledger during the bank reconciliation process. This ensures that any discrepancies between the bank records and the university's financial records are accurately accounted for and addressed.

V. Clearing Accounts Adjustments. When making adjustments to address any discrepancies that remain unreconciled through the use of clearing accounts, it is essential to ensure that these changes are accurately captured in the bank reconciliation process. These adjustments should not be classified as reconciled items, as they are still under review. This distinction helps maintain clarity and accuracy in financial reporting, ensuring that all outstanding differences are properly documented.

VI. Aging of Reconciling Items and Resolution Plan. All reconciling items begin aging on the first calendar day following the month-end. Reconciling items should be categorized into the following aging groups by number of calendar days: 0-30, 31-60, 61-90, and >90. All reconciling items >$10,000 and aged greater than 90 days must have a documented plan for resolution submitted to the Controller by the preparer or the Director of General Accounting. The Controller will review all reconciling items, regardless of amount, and aged greater than 90 days annually, and a plan for resolution will be required.

VII. Supporting Documentation.

A. All adjustments must be supported by valid documentation. Supporting documentation for adjustments should include, but is not limited to, bank statements, general ledger records, subledger reports, calculation work papers, and notes from preparers/approvers, to ensure clarity and auditability.

B. Completed bank reconciliation documents are to include the bank reconciliation, bank statement, general ledger activity report, and copies of required journal entries.

C. All reconciliations must be dated, signed by the preparer and reviewer, and stored electronically in the financial system or a secure network location.

VIII. Month-End Bank Reconciliation and Close. The Controller will conduct a thorough review and approve the finalized bank reconciliation following a comprehensive review by both the preparer and the reviewer. The signatures and dates of both the preparer and reviewer should be documented electronically using an approved e-signature platform. No entries will be made after the month-end close. Bank reconciliations must be based on the finalized general ledger balances as of the month-end close date. Any reconciling items identified after the close should be addressed in the following period.

5.0 AUTHORITY AND REFERENCES

This policy is issued under the authority of the Vice President of Business and Finance and is enforced by the Controller's Office. The Vice President of Business and Finance is responsible for ensuring compliance with this policy and for approving any exceptions.

6.0 HISTORY

Policy Revised: November 2022

Last Reviewed: August 2025