Dave Yost
Auditor of State

Ohio Auditor of State
Dave Yost

Reconstruction of Records

Presented by: Local Government Services Section

www.ohioauditor.gov

1

Objectives

- What are reconstructions and why are they necessary?
- How are reconstructions initiated?
- What to look for?
- If LGS helps you, what can we do and what information is needed to complete the reconstruction?

2 Ohio Auditor of State Dave Yost www.ohioauditor.gov

Reconstruction vs. Reconciliation: What is the difference?

- **Reconciliation** – The process of making consistent or compatible. The process of ensuring that cash balances presented in the cash journal are in agreement with depository (bank) balances.
- **Reconstruction** – To reconstruct, rebuild, make over. The process of recreating the cash journal from original source documents to arrive at the true fund / cash balances in the cash journal.

3 Ohio Auditor of State Dave Yost www.ohioauditor.gov

Why are Reconstructions necessary?

Financial records are in disarray due to poor record-keeping:

- New fiscal officer takes office and finds missing / incomplete records.
- Several fiscal officers in a short time span.
- Improperly recorded transactions have significantly skewed fund balances.

Why are Reconstructions necessary?

- If information being recorded is incorrect, then Council / Board / Trustees cannot make good financial decisions in order to run their Village / City / Township / Library appropriately.
- If sound decisions cannot be made, then public dollars could be misspent.
- Misspending funds, even unintentionally, could result in deficit fund balances or audit adjustments, both of which could lead the entity being declared in fiscal caution and possibly fiscal watch or fiscal emergency.

How are Reconstructions initiated?

- 90 day letters issued by audit (i.e. the records are unauditable).
- Contact from the client (entity officials have discovered problems).
- Uniform Accounting Network (UAN)

Where do we begin?

- Most recent audit report – any findings, material weaknesses or other issues noted in the management letter
- Bank Reconciliations – is the entity reconciled
- Journals and Ledgers – are all journals and ledgers up-to-date
- Debt – are they behind or having issues making debt payments
- Extent of Entity Account Coding – If they are on UAN, this should be a minimal issue, but it is still examined
- Volume of Transactions – 20 total transactions per month compared to 300 or more per month

What can LGS do to help?

- LGS can reconstruct the records for the entity
  - Cash Book / computer system (i.e. UAN)
  - Ledgers and Journals
  - Annual report (if necessary / required)
- Supervise the reconstruction of records if performed by the client.
- Train client personnel

What do we have to work with?

- Current cash journal, receipts journal, and appropriations ledger (if they exist).
- All bank statements and investment statements
- Canceled checks, deposit slips, and pay-ins
- Separate investment records kept by the entity (if applicable)
- All debt-related information (debt, loans, leases, etc.).
  - This would include amortization schedules.
- Fund listing and account codes utilized by the entity
- Budgetary Information
  - This would include Amended Certificates and Appropriations.

Additional Items

- County Auditor
  - Tax settlement sheets, including fees withheld
- State Auditor
  - Distribution Transactions (local government, MVL taxes, cents per gallon, monies coming from the State / federal governments)
- Income tax / payment in lieu of taxes information
- Grantor Documentation
  - If there are outstanding grants (OWDA, OPWC are two examples)
- Bank Confirmations

The Result

- Up-to-date journals and ledgers
- Properly classified transactions
- CORRECT fund balances (be they positive or negative)
- The ability to reconcile to bank statements
- The ability to make sound financial decisions based on the information available.

An example:

Please refer to the handout.

Questions?

Contact Information

- LGS Southeast – Bob Burlenski
  RABurlenski@ohioauditor.gov
- LGS Southwest – April Davis
  ACDavis@ohioauditor.gov
- LGS Northeast – Nita Hendryx
  NRHendryx@ohioauditor.gov
- LGS Northwest – Belinda Miller
  BLMiller@ohioauditor.gov

Local Government Services

Southwest Region

88 East Broad Street
Columbus, Ohio 43215

Chris McCoy, Asst. Chief Project Manager

Presenter Phone: (800) 345-2519
E-mail: contactus@ohioauditor.gov

Dave Yost
Auditor of State

88 East Broad Street
Columbus, Ohio 43215
Phone: (800) 282-0370 Fax: (614) 466-4490
E-mail: contactus@ohioauditor.gov

www.ohioauditor.gov

16

Any ? ship
Receipts - Sort By Date
11/30/99

Date	Receipts	Particulars	Receipt #	Account Coding Fund	Function	Object
11/01	$13,875.00	CENTS PER GALLON	824	2011	225	0
11/01	$1,125.00	CENTS PER GALLON	824	2021	225	0
11/10	$28,600.00	TAX SETTLEMENT	823	1000	120	0
11/15	$25,000.00	HIGHWAY CONTRIBUTIONS	825	2021	890	0
11/15	$3,500.00	REFUNDS	826	1000	890	0
11/15	$2,750.00	REBATES	828	2021	890	0
11/15	$3,000.00	DONATIONS	827	2011	890	0
11/22	$14,400.00	PERMITS	837	1000	890	0
11/22	$3,680.00	MAINTENANCE DONATIONS	838	2011	890	0
Total	**$95,930.00**					

Any ship
Expenditures - Sort by Warrant Number
11/30/99

Date	Expenditures	Particulars	Warrant #	Account Coding Fund	Function	Object
11/01	$5,500.00	WILLIE NELSON	7324	1000	510	311
11/01	$1,520.00	CONWAY TWITTY	7325	2011	630	390
11/01	$28,000.00	ERIC CLAPTON	7326	2021	690	690
11/01	$150.00	KELLY WILLIS	7327	1000	540	332
11/01	$1,200.00	MARCIA BALL	7328	2011	630	390
11/01	$3,550.00	GEORGE JONES	7329	1000	510	311
11/01	$4,550.00	SIR ELTON JOHN	7330	2011	630	390
11/01	$1,200.00	BRUCE SPRINGSTEEN	7331	2021	990	990
11/08	$500.00	MILES DAVIS	7332	2011	690	690
11/08	$250.00	VAN MORRISON	7333	2021	690	690
11/08	$3,500.00	JOHN FOGERTY	7334	1000	540	332
11/08	$100.00	JEAN LUC PONTY	7335	2021	690	690
11/08	$125.00	JOHN PRINE	7336	2011	630	390
11/08	$125.00	PAUL MCCARTNEY	7337	1000	540	332
11/08	$125.00	DEL SHANNON	7338	2021	990	990
11/08	$375.00	MURRAY ATTAWAY	7339	1000	510	311
11/08	$260.00	ALLISON KRAUSS	7340	2021	690	690
11/15	$1,300.00	GENE SIMMONS	7341	2011	630	390
11/15	$28,000.00	PETER CRISS	7342	1000	510	311
11/15	$200.00	ACE FREHLEY	7343	2011	690	690
11/15	$1,000.00	PAUL STANLEY	7344	1000	510	311
11/15	$1,200.00	WARREN ZEVON	7345	2021	990	990
11/22	$1,550.00	JAMES TAYLOR	7346	1000	540	332
11/22	$3,807.00	FRANKIE VALLI	7347	2021	690	690
11/22	$4,820.00	LINDA RONSTADT	7348	1000	510	311
11/01	$31.00	ROY ORBISON	7349	2011	690	690
11/10	$600.00	AUDITOR AND TREASURER FEES		1000	740	344
Total	**$93,538.00**					

Any ship
Reconstructio. Sort By Fund
11/30/99

* = part of receipt includes settlement and distribution monies

Date	Receipts	Expenditures	Balances	Particulars	Receipt #	Warrant #	Account Coding Fund	Function	Object
11/01/99			**$18,020.00**						
11/10	$28,600.00			TAX SETTLEMENT	823		1000	120	0
11/01		$5,500.00		WILLIE NELSON		7324	1000	510	311
11/01		$3,550.00		GEORGE JONES		7329	1000	510	311
11/08		$375.00		MURRAY ATTAWAY		7339	1000	510	311
11/15		$28,000.00		PETER CRISS		7342	1000	510	311
11/15		$1,000.00		PAUL STANLEY		7344	1000	510	311
11/22		$4,820.00		LINDA RONSTADT		7348	1000	510	311
11/01		$150.00		KELLY WILLIS		7327	1000	540	332
11/08		$3,500.00		JOHN FOGERTY		7334	1000	540	332
11/08		$125.00		PAUL MCCARTNEY		7337	1000	540	332
11/22		$1,550.00		JAMES TAYLOR		7346	1000	540	332
11/10		$600.00		AUDITOR AND TREASURER FEES	823		1000	740	344
11/15	$3,500.00			REFUNDS	826		1000	890	0
11/22	$14,400.00			PERMITS	837		1000	890	0
Total 1000	**$46,500.00**	**$49,170.00**							
11/01	$13,875.00			CENTS PER GALLON	824		2011	225	0
11/01		$1,520.00		CONWAY TWITTY		7325	2011	630	390
11/01		$1,200.00		MARCIA BALL		7328	2011	630	390
11/01		$4,550.00		SIR ELTON JOHN		7330	2011	630	390
11/08		$125.00		JOHN PRINE		7336	2011	630	390
11/15		$1,300.00		GENE SIMMONS		7341	2011	630	390
11/08		$500.00		MILES DAVIS		7332	2011	690	690
11/15		$200.00		ACE FREHLEY		7343	2011	690	690
11/01		$31.00		ROY ORBISON		7349	2011	690	690
11/15	$3,000.00			DONATIONS	827		2011	890	0
11/22	$3,680.00			MAINTENANCE DONATIONS	838		2011	890	0
Total 2011	**$20,555.00**	**$9,426.00**							
11/01	$1,125.00			CENTS PER GALLON	824		2021	225	0
11/01		$28,000.00		ERIC CLAPTON		7326	2021	690	690
11/08		$250.00		VAN MORRISON		7333	2021	690	690
11/08		$100.00		JEAN LUC PONTY		7335	2021	690	690
11/08		$260.00		ALLISON KRAUSS		7340	2021	690	690
11/22		$3,807.00		FRANKIE VALLI		7347	2021	690	690
11/15	$25,000.00			HIGHWAY CONTRIBUTIONS	825		2021	890	0
11/15	$2,750.00			REBATES	828		2021	890	0
11/01		$1,200.00		BRUCE SPRINGSTEEN		7331	2021	990	990
11/08		$125.00		DEL SHANNON		7338	2021	990	990
11/15		$1,200.00		WARREN ZEVON		7345	2021	990	990
Total 2021	**$28,875.00**	**$34,942.00**							
Total	**$95,930.00**	**$93,538.00**	**$20,412.00**						

Any ship
Fund Balance
11/30/99

		10/31/99 Balance	Receipts	Expenditures	11/30/99 Balance
1000	General	$5,000.00	$46,500.00	$49,170.00	$2,330.00
2011	Street Construction, Maint & Repair	$4,500.00	$20,555.00	$9,426.00	$15,629.00
2021	State Highway	$8,520.00	$28,875.00	$34,942.00	$2,453.00
	Total:	**$18,020.00**	**$95,930.00**	**$93,538.00**	**$20,412.00**

ANY TOWNSHIP
Reconstruction 1999
Cash Journal Entries

								1000 General			2011 Street Fund			2021 State Highway Fund		
Debit Receipt	Credit Expenditure	Balance	Date	Description	Receipt/ Check Number	Receipt Code/ Approp.	Code	Credit Receipt	Debit Expenditure	Balance	Credit Receipt	Debit Expenditure	Balance	Credit Receipt	Debit Expenditure	Balance
		18,020.00								5,000.00			4,500.00			8,520.00
0.00	5,500.00	12,520.00	11/01	WILLIE NELSON	7324		1000.510.311		5,500.00	(500.00)			4,500.00			8,520.00
0.00	1,520.00	11,000.00	11/01	CONWAY TWITTY	7325		2011.630.390			(500.00)		1,520.00	2,980.00			8,520.00
0.00	28,000.00	(17,000.00)	11/01	ERIC CLAPTON	7326		2021.390.390			(500.00)			2,980.00		28,000.00	(19,480.00)
0.00	150.00	(17,150.00)	11/01	KELLY WILLIS	7327		1000.540.332		150.00	(650.00)			2,980.00			(19,480.00)
0.00	1,200.00	(18,350.00)	11/01	MARCIA BALL	7328		2011.630.390			(650.00)		1,200.00	1,780.00			(19,480.00)
0.00	3,550.00	(21,900.00)	11/01	GEORGE JONES	7329		1000.510.311		3,550.00	(4,200.00)			1,780.00			(19,480.00)
0.00	4,550.00	(26,450.00)	11/01	SIR ELTON JOHN	7330		2011.630.390			(4,200.00)		4,550.00	(2,770.00)			(19,480.00)
0.00	1,200.00	(27,650.00)	11/01	BRUCE SPRINGSTEEN	7331		2021.990.990			(4,200.00)			(2,770.00)		1,200.00	(20,680.00)
0.00	500.00	(28,150.00)	11/08	MILES DAVIS	7332		2011.690.690			(4,200.00)		500.00	(3,270.00)			(20,680.00)
0.00	250.00	(28,400.00)	11/08	VAN MORRISON	7333		2021.690.690			(4,200.00)			(3,270.00)		250.00	(20,930.00)
0.00	3,500.00	(31,900.00)	11/08	JOHN FOGERTY	7334		1000.540.332		3,500.00	(7,700.00)			(3,270.00)			(20,930.00)
0.00	100.00	(32,000.00)	11/08	JEAN LUC PONTY	7335		2021.690.690			(7,700.00)			(3,270.00)		100.00	(21,030.00)
0.00	125.00	(32,125.00)	11/08	JOHN PRINE	7336		2011.630.390			(7,700.00)		125.00	(3,395.00)			(21,030.00)
0.00	125.00	(32,250.00)	11/08	PAUL MCCARTNEY	7337		1000.540.332		125.00	(7,825.00)			(3,395.00)			(21,030.00)
0.00	125.00	(32,375.00)	11/08	DEL SHANNON	7338		2021.990.990			(7,825.00)			(3,395.00)		125.00	(21,155.00)
0.00	375.00	(32,750.00)	11/08	MURRAY ATTAWAY	7339		1000.510.311		375.00	(8,200.00)			(3,395.00)			(21,155.00)
0.00	260.00	(33,010.00)	11/08	ALLISON KRAUSS	7340		2021.690.690			(8,200.00)			(3,395.00)		260.00	(21,415.00)
0.00	1,300.00	(34,310.00)	11/15	GENE SIMMONS	7341		2011.630.390			(8,200.00)		1,300.00	(4,695.00)			(21,415.00)
0.00	28,000.00	(62,310.00)	11/15	PETER CRISS	7342		1000.510.311		28,000.00	(36,200.00)			(4,695.00)			(21,415.00)
0.00	200.00	(62,510.00)	11/15	ACE FREHLEY	7343		2011.690.690			(36,200.00)		200.00	(4,895.00)			(21,415.00)
0.00	1,000.00	(63,510.00)	11/15	PAUL STANLEY	7344		1000.510.311		1,000.00	(37,200.00)			(4,895.00)			(21,415.00)
0.00	1,200.00	(64,710.00)	11/15	WARREN ZEVON	7345		2021.990.990			(37,200.00)			(4,895.00)		1,200.00	(22,615.00)
0.00	1,550.00	(66,260.00)	11/15	JAMES TAYLOR	7346		1000.540.332		1,550.00	(38,750.00)			(4,895.00)			(22,615.00)
0.00	3,807.00	(70,067.00)	11/22	FRANKIE VALLI	7347		2021.690.690			(38,750.00)			(4,895.00)		3,807.00	(26,422.00)
0.00	4,820.00	(74,887.00)	11/22	LINDA RONSTADT	7348		1000.510.311		4,820.00	(43,570.00)			(4,895.00)			(26,422.00)
0.00	31.00	(74,918.00)	11/22	ROY ORBISON	7349		2011.690.690			(43,570.00)		31.00	(4,926.00)			(26,422.00)
28,600.00	0.00	(46,318.00)	11/01	TAX SETTLEMENT	823		1000.120.0000	28,600.00		(14,970.00)			(4,926.00)			(26,422.00)
0.00	600.00	(46,918.00)	11/01	AUDITOR TRESURER FEES	823		1000.740.344		600.00	(15,570.00)			(4,926.00)			(26,422.00)
13,875.00	0.00	(33,043.00)	11/01	CENTS PER GALLON	824		2011.225.0000			(15,570.00)	13,875.00		8,949.00			(26,422.00)
1,125.00	0.00	(31,918.00)	11/01	CENTS PER GALLON	824		2021.225.0000			(15,570.00)			8,949.00	1,125.00		(25,297.00)
25,000.00	0.00	(6,918.00)	11/15	HIGHWAY CONTRIBUTIONS	825		2021.890.0000			(15,570.00)			8,949.00	25,000.00		(297.00)
3,500.00	0.00	(3,418.00)	11/15	REFUNDS	826		1000.890.0000	3,500.00		(12,070.00)			8,949.00			(297.00)
2,750.00	0.00	(668.00)	11/15	REBATES	828		2021.890.0000			(12,070.00)			8,949.00	2,750.00		2,453.00
3,000.00	0.00	2,332.00	11/15	DONATIONS	827		2011.890.0000			(12,070.00)	3,000.00		11,949.00			2,453.00
14,400.00	0.00	16,732.00	11/22	PERMITS	837		1000.890.0000	14,400.00		2,330.00			11,949.00			2,453.00
3,680.00	0.00	20,412.00	11/22	MAINTENANCE DONATIONS	838		2011.890.0000			2,330.00	3,680.00		15,629.00			2,453.00
95,930.00	93,538.00							46,500.00	49,170.00		20,555.00	9,426.00		28,875.00	34,942.00	