

# Why Reconcile When You Have Online Banking?

*Keep records to save time in case of a mistake*

Many of my clients have become conscious of their environmental waste, and try to do something about it by saving paper. As part of this effort, they don't want to have to make copies of the checks they are depositing, nor do they want to print the full detail of the reconciliation report when they're reconciling their bank account. That is — if they reconcile their bank account. Many clients just check their online balance daily and if they have money, then all is well. However, banks make mistakes, too, and if there is an occasion for this to happen it will be the one day that someone decided not to make copies or print the report.

How do I know, you might ask? Well, I recently gained a new client and as it turned out, the client had been checking their online banking balance to verify funds, but had not reconciled their bank account for six months. That is typically one of the first things my firm does when getting a new client so as to make sure everything is being reported properly on the balance sheet.

It seems that the client had noticed that a deposit didn't clear in May when expected, but because of the timing thought that perhaps it was just delayed and would be deposited within the next couple of days. The client, however, got busy and completely forgot about the deposit which didn't get deposited into their account. Now it was October and our firm had to try and track down the details of that deposit. There were no copies of the checks for reference, but the client did have the deposit slip. This was very helpful because the deposit slips have little codes on them so the bank can trace records. It has the bank code and another number that would equate to a check number for the rest of us. This was a good place for the bank to start; however,

after a week they still couldn't find the details of the deposit and needed more information.

This is where the copies of the checks would have come in very handy. The bank needed the routing numbers and account numbers for the checks deposited. This client was lucky enough to still have a good working relationship with the clients who had written the checks and there were only three checks to track down. Finally, after two and a half weeks of research, the client received the money in their bank account. There was never really a question about whether there had been a deposit made because the deposit slip information was evidence to the bank that it had. The issue was whether the money had been taken out of the client's account and if it had, then where had it gone?



You see everyone dealing with money has to have checks and balances, even the banks. It turned out that the checks were somehow separated from the deposit slip and they



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were cashed by the banks they were drawn on. Then the money just sat in the client's bank with nowhere to go. It's hard to believe that it could happen but I personally have been witness to at least 10 errors like this by different banks. They have made errors in deposit amounts, check amounts being cleared differently than they were written for and even putting deposits into the wrong accounts. These items are not caught during an online perusal.

They are caught during the reconciliation process.

As a side note, I advise all clients to make copies of actual checks and the deposit slip. Once the deposit has been made, put the deposit receipt you received from the bank with the whole deposit copies. I even recommend printing off the transaction when it is put into your accounting programs. The whole package is kept in a folder labeled by month and year. It makes life much easier when there is a question regarding your deposits. And let's face it, when money is coming in, we don't want questions. We only want answers.

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