

3. ACCOUNTING

3.6 Revenues

3.6.11 Suspense Funds

3.6.11.10 **Purpose**

The purpose of a suspense fund is to temporarily hold unclassified transactions while a decision is being made as to their classification. This allows for immediate recording of transactions in the general ledger and accounting control over unclassified transactions.

While it is possible for suspense funds to be used for a variety of transaction types, local governments would be expected use suspense funds exclusively for receipts. This presumption is reflected in the following guidance.

3.6.11.20 **Accounting**

When receipts are temporarily recorded to the suspense fund, the entry should be to increase cash and 3899000, *Other Custodial Activities*. When the correct classification is determined, the original entry should be reversed and the correct entry made. An expenditure or transfer should never be recorded to move suspended funds.

Subsequent discovery of the correct allocation of funds should be corrected back to the date of original receipt, if possible.

3.6.11.30 **Controls**

See the BARS manual 3.1.3, [*Internal Control*](#) for general guidance on internal controls. The following are minimum expected controls for suspense funds:

- Suspense fund cash should be included in the reconciliation of bank accounts to general ledger.
- Documentation for each suspended transaction should be retained in a tickler file.
- Suspended receipts should be resolved in a timely manner.
- At all times, the amount of cash and revenue recorded in a suspense fund should match the documentation of unresolved suspended receipts in the tickler file. At all times, all transactions recorded to the fund (original and reversing) should be traceable to documentation of suspended receipts and correcting entries. The suspense fund should be periodically reconciled to this file by an independent person to ensure validity of transactions and the current balance, if any.

3.6.11.40 **Reporting**

Due to the nature of a suspense fund, it would not meet the definition of an agency fund. Therefore, suspense funds should not be reported in the financial statements.

For financial reporting purposes, it is expected that all suspended receipts at fiscal year-end would be resolved – and corrections reflected in the accounting records - by the time the annual report is submitted. If not all suspended receipts as of fiscal year end have been resolved as of the date of the financial report, the unresolved receipts should be rolled up into the general fund for purposes of financial reporting.