

Bank Reconciliation Automation Streamlines University's Cash Receipts

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Abstract

The bank reconciliation automation project has streamlined the University's monthly bank reconciliation processes and allowed us to reduce the amount of time it takes to complete the reconciliation from an entire month to three days. This was accomplished by taking advantage of the bank's sub-account structure to segregate the types and sources of the University's revenue streams. To match the receipts for each sub account, the University restructured the way cash receipts are recorded in the accounting system, so that at month-end, receipts in each of the bank accounts can be automatically matched with ledger accounts in Financial Records System.

Not only does this process save time at month-end, it improves the efficiency of recording cash receipt journal entries for the different departments that accept cash on a daily basis. It gives us the ability to reconcile bank activity to departmental deposits on a daily basis, and reduces the number of in-transit items at the end of the month.

The Organization

The University of Texas at Dallas is a young, dynamic research institution on the cutting edge of science, technology, business and the arts. It is located in Richardson, Texas, a suburb of the Dallas metroplex, and has a current enrollment of over 15,000 students. UT Dallas is one of the thirteen state Universities that make up the University of Texas System, and fosters a strong tradition of academic excellence by providing a world class faculty including two Nobel laureates.

The University of Texas at Dallas' vision is to become one of the nation's best public research universities and one of the great universities of the world. To achieve this vision, the University will experience rapid growth over the next 5-10 years, doubling the number of faculty, increasing enrollment by at least 5000, and adding 1.5 million square feet of newly constructed building space to the campus.

With this rapid growth in mind, the Office of Finance strives to utilize new technology and concepts to become more efficient and effective in providing excellent services to our students and faculty. The office is directed by Wanda J. Mizutowicz, Associate Vice President of Finance and Controller. She reports to Dr. Calvin Jamison, Vice President for Business Affairs.

Problem/Initiative

The main Operating bank account was used to deposit cash receipts from all of the University's schools and departments. These receipts included daily cash and check deposits, ACH and wire transfers from students and organizations, and automatic ACH deposits for credit card and Webcheck receipts. Although all of the cash receipts were deposited into one the bank account, the transactions were recorded in different accounting systems. Receipts for student tuition and fees were recorded using the Student Information System (SIS), while departmental deposits were recorded in the Financial Reporting System (FRS). The total of the monthly receipts from SIS were transferred to FRS as a lump sum at the end of the month, which required manually tracking the individual activity on several different Excel spreadsheets. This method was very convoluted and made the reconciliation process very frustrating and time consuming. It would routinely take up to 30 days to complete the bank reconciliation process.

Design

The first step in developing a solution that would work with two separate accounting systems was to analyze the types of transactions being reconciled and the origins of those transactions. In addition, it was imperative that we minimize the impact that any changes would have on other departments, especially the Bursar's office, where the majority of the deposits were received and processed. First, we looked at each item on the bank statement and analyzed how it was reconciled to FRS and how it was initially recorded. Second, we grouped transactions by those items that had a one-for-one match from the bank statement to FRS, and those items that could only be reconciled using Excel spreadsheets. We then met with our bank representatives and

asked about any solutions that the bank might be able to recommend that would assist in automating the reconciliation of our bank statement. After some discussion we determined that we could take advantage of the bank's sub-account structure to help segregate different revenue streams into different sub-accounts, that would then automatically roll up to our main Operating account. This sub-account structure was currently being used by several of the bank's large corporate clients that needed to track bank activity by department but did not want separate bank accounts for each department.

We decided to modify this approach and apply it to different types of bank deposits. Sub-accounts were designed to segregate receipts based on the following criteria: a) receipts that are recorded in FRS, b) receipts that are recorded in SIS, and c) ACH deposits for credit card activity.

With this idea, the Finance office, the Bursar's office and the SIS/FRS systems maintenance team met to discuss how we could modify our processes so that we could take advantage of the proposed sub-account structure.

Implementation

We had three months to implement the automated bank reconciliation process by the end of the fiscal year. The challenge was to make each individual bank transaction appear as a separate cash receipt item in the FRS accounting system, instead of appearing as a lump sum for each batch. This would achieve a one-for-one match between the bank and FRS. In addition, there was a time lag between when the departmental credit card settlements hit the bank and when they were actually posted to the accounting system. The credit card activity would hit the bank immediately, but the corresponding journal entries were not posted until the departments

supplied their credit card receipts to the Bursar's Office. This would create many in-transit items for credit card settlements at the end of the month.

Following is a list of our main action items:

- 1) Have the bank re-configure our remote check deposit software so that deposits could be made to different bank accounts.
- 2) Separate daily cash deposits based on how the cash receipts would be posted – SIS activity was deposited to one sub-account and FRS activity was deposited to another account.
- 3) Change the bank account information provided to Global Payments so that the daily settlements were posted to a separate sub-account.
- 4) Set up holding accounts in our accounting system for each of the thirteen Global Payments locations on campus. Therefore, daily credit card settlements were posted to the holding accounts as they occurred, and then reclassified to the revenue accounts when the departments made their deposits to the Bursar's Office.
- 5) In addition, we re-named the Batch ID's used to post the Global Payments settlements to correspond to the bank statement description to ease in matching the bank items to the FRS batches.
- 6) Created internal reports from our accounting systems that mirrored the activity in the bank sub-accounts.

Pitfalls

Although we are pleased with the outcome of this project, we have encountered some issues that we have yet to resolve. Due to system limitations, if more than one wire transfer or ACH

transaction is posted to SIS on the same day, the sum of those transactions will feed to FRS.

Therefore, we do not have a one-for-one match for these items.

Another pitfall is that ACH deposits from state agencies can include both SIS and FRS activity.

However, the state can only accommodate one bank account per institution, so we cannot

segregate those settlements to separate sub-accounts. This creates occasional mis-matches between bank activity and the cash receipt posting.

Changing the bank account information for many of the government and other organizations takes a lot of time and paperwork.

Benefits

The main benefit of this project was to streamline and automate the reconciliation process, thus drastically reducing the time needed to complete the bank account reconciliation. By utilizing the sub-account structure, we retained the ability to have only one main bank account, but gained the additional advantage of being able to run bank statements and daily bank reports for each sub-account. The supporting documentation is much more informative and straight forward. Instead of relying on Excel spreadsheets to explain bank activity, the support is provided by bank reports and reports directly from our FRS accounting system.

Additional benefits include:

- 1) The posting of daily cash receipts can be monitored more easily which enables us to identify errors or missed items in a timelier manner and decrease the number of reconciling items at the end of the month.

- 2) In-transit items related to credit card activity have been eliminated because credit card settlements can be booked to the holding accounts as they occur. Month-end items can be posted before the books are closed.

Retrospect

In retrospect, we believe this project has added tremendous value to our organization.

Streamlining and automating the bank reconciliation has allowed us to use our resources in a more efficient and effective manner, and delete many of the manual processes that have been in place for many years.