DATE: August 10, 2015

TO: Anthony Turrietta, Associate Vice President and Comptroller

FROM: Lori Wertz, Interim Director, Auditing and Consulting Services

SUBJECT: Review of the Bank Account Reconciliation Process in PeopleSoft – Special Request Project #15-02

The Office of Auditing and Consulting Services (OACS) performed a review of the bank account reconciliation process in PeopleSoft in response to a special request from management. The overall goal of the review was to evaluate the effectiveness and efficiency of the current monthly bank account reconciliation process.

Background:
The Fiscal Year 2014 University of Texas System (UT System) external audit, performed by Deloitte & Touche, LLP, resulted in a significant deficiency related to the PeopleSoft implementation. The specific items cited were lack of adequate controls over monthly bank account reconciliations and journal entry approval. As a result, the UT System Controller’s Office instructed institutions to implement a method of preparing accurate and timely bank account reconciliations.

Objectives and Scope:
The objectives of this review were to determine if:

- monthly bank account reconciliations are performed accurately and timely, and
- outstanding reconciling items are identified and recorded correctly.

This is a limited scope review of the bank reconciliation process in PeopleSoft from April 1, 2014 to May 31, 2015.
Results of Review:
The Office of General Accounting (GA) is responsible for reconciling the bank account to the general ledger. Individual departments/units of the University are responsible for making deposits and recording the deposits in PeopleSoft (PS) department cost centers. GA staff performs a matching process to ensure transactions are recorded in both the bank account and the general ledger. During our review of the process we found the following:

Bank Reconciliation Process:
Although GA performs a daily matching of individual bank account transactions to the general ledger to confirm the bank transactions are recorded in the general ledger, a monthly bank account reconciliation is not performed.

Recommendation: A monthly bank reconciliation should be prepared to ensure accurate financial reporting and security of monetary assets.

The University should consider converting manual procedures to system-based (automated) steps, where possible, in order to increase the effectiveness and efficiency of the whole reconciliation process. This could include the use of computer-based analytical tools to extract, compare, analyze and summarize the transactions more quickly and accurately.

Management Response:
We, along with the other institutions involved in the conversion, are expecting UT System to complete a process and training to accomplish automated reconciliation. Until then, we will continue to do a manual reconciliation monthly in order to report the University’s cash position at specific points in time.

Clearing Account Activity:
Individual transactions are routed in PeopleSoft using templates. The transaction is either recorded into a specific cost center or the clearing account. Transactions in the clearing account have not been identified through a template as belonging to a specific department; consequently, GA has to investigate further to determine where they should be recorded.

Prompt resolution of clearing account reconciling items is a key internal control over monetary assets to ensure that errors or unrecorded transactions are detected and corrected promptly. Failure to resolve reconciling items timely increases the risk that errors or unrecorded transactions may not be detected and corrected. It also decreases the level of control over monetary assets and hinders the ability to produce accurate financial reports.

Recommendation: A standardized process for resolving clearing account reconciling items and for monitoring the resolution process should be implemented.

In addition, the completion of templates for every department will help automate the matching of transactions and make the reconciliation process more efficient by reducing the volume of reconciling items.
Management Response: 

Departmental Deposit Templates

With the support of Executive Management, we would like to implement a Campus wide procedure that would address and greatly improve two issues: The bank reconciliation process, and the timely resolution of clearing account reconciling items. This procedure has already been tested by large departments (Student Business Services, Athletics, and Special Events), and is currently being applied successfully. Every department will record their bank transactions (Cash, Checks, Credit Card activity and Electronic Fund Transfers) automatically through a template. This can be done by each department providing a cost center and account where they would deposit activity to be recorded under. A template will then be created with that specific data. If a new cost center is preferred for this purpose, we can create a new one for them. Having templates (with specific revenue cost center) will eliminate the majority of reconciling items. Departments will no longer need to create deposit vouchers. After everything has been recorded through the templates, the departments can reallocate the revenues through an ONL Inter Department Transfer process through accounting. As departments become proficient with the templates, they can be trained to load up their ONL entries directly.

Procedures for the Bank account Reconciliation in PeopleSoft:

The department has not documented procedures for the bank reconciliation process in PeopleSoft. UTS167 Banking Services Policy-Sec. 6 Fiduciary Responsibilities states that “U. T. System fiduciary responsibilities require controls for cash and electronic transactions with banks and development of internal procedures supporting such transactions must be established...”

Recommendation: Procedures for the daily matching and monthly bank account reconciliations should be developed and documented to provide adequate guidance to employees and provide a reference for cross training or new employee training.

Management Response:

A procedure has been developed and documented. A draft is in the process of review and approval by GA’s Assistant Director, Director and Associate VP for Business Affairs.

Staffing and Cross Training:

The daily matching process is very labor intensive. Currently, there is one person responsible for the entire process, which includes the daily reconciliation of the main bank account and sub-accounts. The bank reconciliation could be subject to delays when the assigned accountant is not available.

Recommendation: We recommend that the department implement cross-training for the reconciliation process to provide workforce flexibility and to ensure separation of duties.
Management Response:
Additional training on this process has been provided to two additional team members (Assistant Director and Accountant II). We are confident that with this training, the reconciliation process would take place even in the absence of the assigned Accountant. We are evaluating the current resources available in order to determine if a recommendation for additional headcount is required. We are considering current and future workloads, as well as the impact that the implementation of initiatives (like the one proposed above on departmental deposits), could have on improved process efficiency.

Conclusion:
Based on the results of our review, we believe the department can strengthen both operations and controls in the bank account reconciliation process by implementing the recommendations detailed in this report.

We wish to thank the General Accounting Management and staff for their on-going assistance and cooperation.

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