

# JACKSON STATE UNIVERSITY

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## BANK RECONCILIATIONS PROCEDURAL GUIDE

UNIT NAME

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**IMPORTANT:** This guideline is not all-inclusive, nor does it address every situation that may arise. Its sole purpose is to guide management and to provide reasonable assurance in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with the Mississippi Board of Trustees of State Institutions of Higher Learning (IHL) and the University's policies and procedures
- Compliance with applicable state and federal laws and regulations, and
- Safeguarding the University's assets and resources.

The Business Office homepage is located at <http://www.jsums.edu/finance/home/compliance/>, where you will find important information, answers to common questions, directions to the office and staff contact information. All correspondence may be mailed to the following address:

Jacksons State University  
Business Office  
P.O. Box NUMBER 17159  
Jackson, MS 39217

#### UNIT MISSION STATEMENT

The Business Office is charged with the responsibility of supervision over the fiscal affairs of the University. This office ensures that the financial practices are both sound and clear, to ensure effective, efficient, and reliable financial reporting. We are cognitive of the fact that the University's financial practices and reporting methods serve as a support mechanism in the administrative and fiscal decision making process in the pursuit of accomplishing the university goals. This is done through the effective management of Student Accounts Receivables, Accounts Payable, Accounting, and Finance Module Administration. The Director manages all accounting internal controls to mitigate risk; ensures that the official accounting records of the University are current and accurate for the safeguarding of the University assets.

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## DEFINITIONS

## OBJECTIVE STATEMENT

The University is responsible for managing a number of bank accounts. It is the policy of the University that all transactions for these accounts are reflected in the general ledger accurately every month. The completion of the bank reconciliation is essential to protecting University assets, detecting and preventing fraud and to ensure the University's funds are handled responsibly.

## PURPOSE

It is important that the University maintain a positive reputation regarding the stewardship of all monies, whether public, federal or privately provided. It is also recognized that it is equally important that sound fiscal processes be in place that will address the needs of the University community in an efficient and effective manner. While it may not be all inclusive, the advantages of having this written document are to:

- Better educate employees
- Outline clear performance standards
- Assure legal compliance

The University promotes effective controls to ensure the protection of assets, accurate financial reporting and effective use of resources. These statements are issued as a guide regarding activities associated with preparing bank reconciliations.

## ADHERENCE

All are expected to adhere to these guidelines. Willful disregard of this shall be considered non-compliance and may result in a formal reprimand up to and including termination.

## **RECONCILIATION PROCESS**

The bank account reconciliation is a key component of good internal controls over cash and should be done in a timely manner. Reconciling the bank statement balance with the book balance (general ledger) is necessary to ensure that (1) all receipts and disbursements are recorded (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

## **BANK STATEMENTS**

A monthly record of the University's bank account transactions for deposits, checks, service charges, and other items. When the University receives its bank statement, actions are taken to verify if the amounts on the bank statement are consistent or compatible with the amounts recorded in the general ledger and vice versa. This process of confirming the amounts is referred to as reconciling the bank statement, bank statement reconciliation, bank reconciliation, or doing a "bank rec." The benefit of reconciling the bank statement is knowing that the amount of cash reported is consistent with the amount of cash shown in the bank's records.

## **FINANCE GENERAL LEDGER REPORT**

The University's general ledger cash account, also referred to as Balance per Book, identifies all items that have been receipted and deposited into the bank. It also identifies all checks and disbursements that have been forwarded to the bank. Any differences between bank and book are reconciling items that will be researched and recorded timely.

## **OUTSTANDING CHECK LIST**

Outstanding checks are checks that have been written and recorded, but have not cleared the bank account. Checks written during the last few days of the month plus older checks are likely to be among the outstanding checks and will remain on the outstanding checks list. If an outstanding check of the previous month does not clear the bank in the current month, the check will remain on the list of outstanding checks until the month that it does clear the bank.

In the bank reconciliation process, the total amount of the outstanding check list is deducted from the balance per bank. All issued checks are immediately recorded in the University general ledger and there is no need to adjust the University's book for the outstanding checks.

## **JOURNAL ENTRIES**

Journal entries must be prepared for the adjustments to the balance per books. Adjustments to increase the cash balance will require a journal entry that debits Cash and credits another account. Adjustments to decrease the cash balance will require a credit to Cash and a debit to another account. Journal entries are posting using journal entries.

## SCHEDULES

Staff accountant pulls FGRGLTA report from Banner in excel. This report is used to generate the schedules attached to the bank reconciliation.

Bank reconciliation is reconciled from the bank statement to book. Staff accountant enters Bank information on the Bank Rec Lead Sheet. He/she then prepares the following schedules:

- Schedule A: This schedule will include deposit in transit transactions.
- Schedule B: This schedule is used to correct debit errors.
- Schedule C: This schedule is prepared manually. Staff accountant pulls outstanding checks from previous reconciliation as well as checks for the current month being reconciled (from the FGRGLTA Banner report). He/she will then compare this listing to the checks that cleared the account by using the V lookup function in Excel. Those transactions that cleared the bank are then eliminated from this listing.
- Schedule D: This schedule is used to correct credit errors. It will include Outstanding Cash Disbursement and Other Debit transactions.
- Schedule E: This schedule will include Bank Transfer, Deposit, Departmental Cash Receipt, Transfer In, NDSL Student Loan Account Deposit, Interest Earned and Gross Commission Earned, including Fee transactions.
- Schedule F: This schedule will include Bank Transfer, Interest Earned, Other Debit, Student Cash Receipt, Other Payroll Adjustment, and Fee Charge transactions.
- Schedule G: This schedule will include Service Charge, Net Payroll, Cash Disbursement, Void Check, and Check Correction transactions.
- Schedule H: This schedule will include Redirecting Bank Deposit, Bank Transfer, Other Payroll Related Payment, Cash Disbursement, NSDL Cash Receipt Disbursement transactions.
- Schedule I: This schedule will include Transfer Out, Other Credit, Other Credit Adjustment/Service Charge, and Receipt Correction transactions.



## RULE CODES

Rule Codes are the system instructions for posting transactions to the ledger. While many Banner forms automatically invoked specific rule classes and the system will not prompt you of provide the rule class, several unique rule codes have been created to identify transactions associated with the bank reconciliation process. These unique rule codes are listed below.

- ZCCE - SAR Cash Clearing
- ZBTE – Bank to Bank Transfer
- ZISE – Investment Sale
- ZTCE - SAR Telecheck Clearing
- ZIPE – Investment Purchases
- ZIII - Dividend Income
- ZWCE - SAR Student Wire Clearing
- ZPLI – Payroll Liabilities
- ZSCE - Service Charges
- ZRCK - Return Checks
- ZIIE - Interest Income
- ZVME - SAR Credit Card Clearing
- ZUGL – Unrealized Investment Appreciation

The following rule codes are posted to the general ledger as a result of executing a system process or posting a transaction on specific Banner form.

- DNNI – Check Disbursement
- DNEI – Check Disbursement
- CNNI – Cancelled Check
- HNET – Net Payroll
- GRPM – Grant Receipts
- MISC – Departmental Receipts
- CNEI – Cancelled Check

## DEPOSITS IN TRANSIT

Outstanding deposits of money that has been received by the University and sent to the bank, but is not reflected on the bank statement on the reconciliation date. These transactions are receipted in Banner and noted on Schedule A of the Bank Reconciliation. Since the University has recorded these receipts in Banner upon receipts, the Balance per bank statement would be lower than the balance per Bok until the deposit is processed by BankPlus. These outstanding deposits must be added to the Balance per Bank statement.

Because deposits in transit are already recorded in the University's Cash account, there is no need to adjust the University ledger. However, deposits in transit are not recorded on the bank statement. Therefore, these items will need to be added on the bank reconciliation as an increase to the balance per bank in order to report the true amount of cash.

A helpful rule of thumb is "put it where it isn't." A deposit in transit is on the University's books, but it isn't on the bank statement. Put it where it isn't: as an adjustment to the balance on the bank statement.

## **BANK TRANSFERS**

A bank transfer is required when money is sent from one bank account to another for the purpose of funding disbursement and/or recognizing deposits. The transactions are posted using the ZBTE – Bank to Bank Transfer rule code.

## **ORIGINATING ACH ITEM RETURNS**

This is the result of an Automated Clearing House (ACH) disbursements returned to the University's bank account, due to incorrect banking information for the recipient of the payment. These transactions appear on the bank statement of the disbursement bank accounts as a credit and is posted to the ledger using the CNNI or CNEI.

## **INTEREST PAYMENTS**

Interest earned on University interest-bearing accounts will appear on the bank statement as credits. Hence there is no need to adjust the balance per the bank statement. However, the amount of interest earned will increase the balance per books in the company's Cash account on its books. A journal entry is posted using rule code ZIIE - Interest Income.

## **DIRECT DEPOSIT PAYMENTS**

Electronic payments from the University bank account to a vendor. This payment are identifiable on the general ledger by the rule code DNNI and the document code begins with an exclamation mark.

## **ESCHEAT LISTING**

Checks issued by the University that have not cleared the bank within three to six months of issuance will be considered stale-dated and are no longer valid to be cashed. The stale dated checks are removed from the outstanding check listing and receipted to a liability account. The Business Office notifies the payee by phone and/or certified letter that a check was issued and has not cleared our account. The payee is asked to complete a "Request for Replacement Check" form and mail back to JSU's Business Office within 30 days of receipt. Once the "Request for Replacement Check" form has been received another check will be issued and charged the liability account.

Banner Escheat Checks are posted to appropriate accounts (Disbursement Operating-200016 and Payroll-200017) once it has been outstanding for 3 months. The list of stale dated checks are maintained by the staff accountant who reconciles the Payroll and Disbursement Operating Bank Accounts. If Accounts Payable or Payroll reissue a stale dated check, the original check is removed from the list.

Escheat checks must be reconciled and monitored and recipients of checks must be located, and if unable to be located, balances must be reported and escheated to the State of Mississippi.

## **STOP PAYMENTS**

Stop payments are only issued by the Cashier after 14 working days of the check date and can only be enacted if the check or payment has not already been processed by the recipient. The recipient of the check must submit a Stop Payment request to a University Cashier or Accounts Payable. The stop payment request can only be processed by the Director or Assistant Director of the Business Office in the online banking system.

Accounts Payable will cancel and re-issue a new check. Cancelled checks are identifiable on the general ledger by the CNNI – Cancelled Check or CNEI – Cancelled Check as debits to the bank account.

## **AC- JSU DISBURSEMENTS**

Electronic payments such as direct deposits and wires are described on the bank statement as AC-Jackson State University Invoice. These transactions are debits on the bank statement and are posted as credits on the University's bank account on the general ledger.

## **SERVICE CHARGES**

Bank service charges are fees deducted from the bank statement for the bank's processing of the checking account activity (accepting deposits, posting checks, mailing the bank statement, etc.) The bank deducts these charges or fees on the bank statement without notifying the company. When that occurs, the company usually learns of the amounts only after receiving its bank statement.

Because the bank service charges have already been deducted on the bank statement, there is no adjustment to the balance per bank. However, the service charges will have to be entered as an adjustment to the company's books.

## **ELECTRONIC FUNDS TRANSFER (EFT)**

Direct transfer of funds that are identified on the bank statement as wire credits. They are identified on the general ledger as (EFTW).

## **INVESTMENT SALES**

When assets are liquidated associated within our investment portfolio by the agent the cash impact is posted in the investment money market account. These transactions results are posted to the general ledger using the ZISE – Investment Sale rule code.

## **INVESTMENT PURCHASES**

An investment is purchased by the agent using funds from the investment money market account. They are identified on the general ledger as ZIPE – Investment Purchases.

**DIVIDEND INCOME**

Investment earnings are recorded monthly in the investment money market account. They are identified on the general ledger as ZIIE - Interest Income.

**UNREALIZED INVESTMENT APPRECIATION**

The University endowment investment portfolio increases or decreases based on economic market conditions. The value of these transactions are posted by journal voucher using ZUGL – Unrealized Investment Appreciation to the ledger books.

**POSITIVE PAY**

BankPlus offers next day Positive Pay which is an automated fraud detection feature available within e-BankPlus for Businesses. Positive Pay identifies: duplicate checks, paid checks that do not have a matching issue and fields that do not match the issue file. Positive Pay also provides early detection and correction of encoding errors or misreads and simplifies end-of-month reconciliation by already identifying mismatched items. Staff Accountant monitors and make payment decisions daily.