Masterminding PeopleSoft Bank Reconciliations

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Introduction

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Agenda

• Introduction

• The Need for Bank Reconciliation

• Challenges Companies Face with Bank Reconciliation

• Bank Reconciliation Best Practices and Solution

• PeopleSoft Reconciliation Processes and Tools

• Improving Auto Reconciliation Match Rates

• Improving Bank Statement Accounting Match Rates

• Researching Reconciling Variances
About Security Finance Corporation and Affiliates

- Security Finance Corporation of Spartanburg (SFCS) was founded in 1955, based in Spartanburg, SC, and is privately owned.

- We offer traditional installment loans, and income tax preparation to consumers. Auto financing is offered through Professional Financial Services.

- Our company operates approximately 950 offices in 14 states and Mexico that are marketed primarily under the Security Finance, Sunbelt Credit and Professional Financial Services banner names.

- 900+ bank accounts are reconciled daily using PeopleSoft and legacy systems.

- 670,000 disbursement items and 36,000 deposit items reconciled each month.
About Elire, Inc.

- We help our clients succeed by partnering with them to efficiently implement, integrate, and upgrade their software investments.
- Elire is the industry leader in ERP Treasury workstation installations.
- Elire consultants experience based on more than 20 years of PeopleSoft, Finance, and Treasury experience.
- Elire has been published as a thought leader in the Treasury and Financial Planning & Analysis space.
  - Oracle’s Profit Magazine
  - Association of Financial Professional (AFP)’s Exchange Magazine
  - Business Finance Magazine

150+ Clients
30+ Fortune 500 Clients
30+ Financial Services Clients
The Need For Bank Reconciliation
The Need for Bank Statement Reconciliation

To Identify Fraudulent Activity

*Check fraud to U.S. companies, merchants, and financial institutions is estimated at over $20 billion annually.*

- Review bank data daily to identify suspicious activity
  - Important in cases where Positive Pay is not an option
- Companies and Banks are both responsible for fraud prevention
- **SFCS reconciles over 670,000 disbursement items per month**
The Need for Bank Statement Reconciliation

To Catch Internal Errors and Verify Bank Statements

- Bank-to-System Transaction Reconciliation is crucial to catch internal errors
- Need to capture first notice items from statements
The Need for Bank Statement Reconciliation

To Ensure Accurate and Timely Accounting and Reporting

- Unreconciled transactions may not be accurate
- Financial Statements could reflect incorrect data
Challenges Companies Face with Bank Reconciliation
Bank Reconciliation Challenges

- Duplicate Transactions
- Multiple Sources
- Summed Up Transactions
- Incomplete Data
- Protect Against Fraud
- Multiple Formats
- Different Reference ID
- Multiple Currencies

PeopleSoft RECONNECT #PSRECONNECT
Bank Reconciliation Challenges

Multiple Banks and Statement Formats

- Banks tend to take some “liberties” with how “standard” files are formatted
- Some small banks do not have the ability to provide electronic statements
- **SFCS receives bank statement from over 200 banks**
Bank Reconciliation Challenges

Multiple Transaction Data Sources/Data Formats

- Information from different systems and different formats makes it difficult to define a set of “standard” reconciliation rules and processes.

- **SFCS reconciles transactions from hundreds of different sources.** (e.g. data from each branch, payroll, live checks, AP)
Bank Reconciliation Best Practices and Solutions
Bank Reconciliation Best Practices

- **Rationalize Account Structures**
  - Group accounts that have similar activity for quicker review
- **Separation of Duties**
  - Separation of Duties is a SOX Compliance Requirement
- **Identify Fraud**
  - Companies and Banks are both responsible for fraud prevention
- **Make Reconciliation a Daily Task**
  - Easier to research a small amount of variances daily than many at month’s end
- **Identify Discrepancies Quickly**
  - Important to reconcile accounts daily to identify and resolve variances
- **Automation**
  - Use system tools to automate matching and exception resolution
Bank Reconciliation Solutions

Manual Processes

- Manual reconciliations are tedious, expensive, and outdated
- Ties-Up resources that could be tasked in other areas
- As volume increases, adding staff increases costs in many areas (salary, benefits, training, etc.)
Bank Reconciliation Solutions

Automation

• Automating bank reconciliation is the logical next step

• By automating the reconciliation process, discrepancies can be identified quickly and free up time to focus on other priorities

• Improves the monthly reconciliation; becomes a much easier and less time consuming process
PeopleSoft Reconciliation Processes and Tools
Reconciliation Across PeopleSoft Modules

- Contracts-Projects-Billing
- Bank Statement Reconciliation
- Purchasing Reconciliation
- Account Reconciliation Management
- Sub-Ledger Reconciliation
- Book to Bank Reconciliation
- Payables Reconciliation

#PSRECONNECT
Bank Reconciliation Methods

Pre 9.2 PUM18

- **Automatic Reconciliation**: (1:1 match)
  - *No delivered ability to Auto Recon 1:M, M:1, M:M*
- **Semi–Manual Reconciliation**:
  - Manually select bank & system transactions to match on a 1:1, 1:M: M:1 & M:M
- **Manual Reconciliation**:
  - Force Reconcile transactions

9.2 PUM18 Forward

- **Automatic Reconciliation**:
  - *Delivered ability to Auto Recon match on a 1:M, M:1, M:M basis*
- **Semi – Manual Reconciliation**:
  - Manually select bank & system transactions to match on a 1:1, 1:M: M:1 & M:M
- **Manual Reconciliation**:
  - Force Reconcile transactions
PeopleSoft Automatic Reconciliation

- Rule based Bank Statement-to-PeopleSoft Transactions matching
- Delivered rules match based on Date, Amount, and Reference ID
- Rules allow for amount and date tolerances
- Flags exceptions for further analysis
• Split-Screen matching of transactions across multiple dates
• Bank Statement and System Transaction amounts must be the same to reconcile
PeopleSoft Manual Reconciliation

- Ability to reconcile system transactions without any corresponding bank statement transaction
- Not recommended due to the possibility of errors and lack of controls and checks and balances
PeopleSoft Bank Statement Accounting

- Rule based process that “reads” Bank Statement addenda to determine matches
- Creates system-side transactions for matches
Improving Automated Reconciliation
Improving Auto Reconciliation Matches

- SFCS implemented delivered PeopleSoft automated reconciliation tools but still faced a high number of unreconciled transactions and exceptions which included:
  - Duplicate Items – System interpreting two bank statement items as identical
  - Ambiguous Items – Statement item could match more than one system transaction
  - No System Transaction – Statement item could not be matched to a system transaction
Improving Auto Reconciliation Matches

- **SFCS**, working with **Elire**, conducted a thorough analysis of their current setup for areas that could be improved and actions that could be implemented.

- **Configuration**
  Delivered configuration is not always optimized for the banks and types of data your organization works with. Areas reviewed at SFCS included:

  - Bank Statement Codes
  - Code Mappings
  - Statement Activity Types
  - Reconciliation Tolerances
### Improving Auto Reconciliation Matches

- **Bank Statement Codes**
  
  PeopleSoft assigns transaction codes to each bank-statement-transaction during electronic load. The transaction code determines how reconciliation processes the specific line item.

<table>
<thead>
<tr>
<th>Transaction Code</th>
<th>Description</th>
<th>Payment Method</th>
<th>Short Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>108</td>
<td>Transaction Detail</td>
<td></td>
<td>CREDIT (ANY TYPE)</td>
</tr>
<tr>
<td>116</td>
<td>Transaction Detail</td>
<td></td>
<td>LOCKBOX DEPOSIT</td>
</tr>
<tr>
<td>116</td>
<td>Transaction Detail</td>
<td>System Check</td>
<td>ITEM IN LOCKBOX DEPO</td>
</tr>
<tr>
<td>118</td>
<td>Transaction Detail</td>
<td></td>
<td>LOCKBOX ADJUSTMENT C</td>
</tr>
<tr>
<td>121</td>
<td>Transaction Detail</td>
<td></td>
<td>EDI TRANSACTION CRED</td>
</tr>
<tr>
<td>122</td>
<td>Transaction Detail</td>
<td></td>
<td>EDIBANX CREDIT RECEI</td>
</tr>
<tr>
<td>123</td>
<td>Transaction Detail</td>
<td></td>
<td>EDIBANX CREDIT RETURN</td>
</tr>
<tr>
<td>135</td>
<td>Transaction Detail</td>
<td></td>
<td>DTC CONCENTRATION CR</td>
</tr>
<tr>
<td>136</td>
<td>Transaction Detail</td>
<td></td>
<td>ITEM IN DTC DEPO</td>
</tr>
<tr>
<td>142</td>
<td>Transaction Detail, Automated Clearing House</td>
<td></td>
<td>ACH CREDIT RECEIVED</td>
</tr>
</tbody>
</table>
Improving Auto Reconciliation Matches

- **Code Mappings**
  Defines the mapping between external bank codes with their equivalent internal PeopleSoft codes.
Improving Auto Reconciliation Matches

- **Statement Activity Types**
  Statement Activity Types are used to allow for “Forced Reconciliation” and for Bank Statement Accounting.
Improving Auto Reconciliation Matches

- **Tolerances**
  - Date – Allows for a greater search range for finding matches
  - Amount – Allows for matches due to rounding or other small dollar value differences
Improving Auto Reconciliation Matches

- **Reference ID**
  - Many banks will not report back the reference ID used on system generated transactions.
  - This results in auto recon not being able to make matches and creates exceptions.

![Bank Transaction Entry Screen](image-url)
Improving Auto Reconciliation Matches

• **Improve Transaction Source Data**
  – Require concise, unique Reference IDs when available
  – Make sure to have correct Transaction Type codes, especially for data imported from outside sources

• **SFCS imports hundreds of thousands of records into the PeopleSoft External Transactions Table.**

• **If these transactions do not have the correct transaction type, or it is left blank, this can lead to reconciling exceptions**
Improving Auto Reconciliation Matches

- **Transaction Types On/Off**
  - Effectively adds fourth auto reconciliation criteria (date, amount, ref ID, transaction type)

![Reconciliation Options](image)

<table>
<thead>
<tr>
<th>Option Code</th>
<th>Description</th>
<th>Meta SQL ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>TN</td>
<td>Use Transaction Types ON</td>
<td>TRN_1</td>
</tr>
</tbody>
</table>
Improving Auto Reconciliation Matches

- Reference ID Match On/Off
  - Only matching on Date and Amount leads to Ambiguous exceptions
  - *SFCS has hundreds of transactions per day for same amount, making Ref ID match important*
Improving Auto Reconciliation Matches

- **Modify Auto Reconciliation Rules**
  - Not the easiest solution, but can greatly improve match rates
  - Pre 9.2 PUM 18, requires understanding Auto Recon Rules SQL setup
  - 9.2 PUM 18 Forward, rules can more easily be configured
  - *SFCS used custom Auto Recon Rules to Parse Information out of Reference ID field*

![Add SQL Clause](image-url)
Improving Bank Statement Accounting Match Rates
Bank Statement Accounting Challenges and Examples

CHALLENGES
BANK STATEMENT ACCOUNTING

1. Multiple Bank Statement Formats
2. Variable Bank Statement Codes
3. SWIFT V BAI Statement Codes
4. Inconsistent Addenda

FIRST PRESENTMENT EXAMPLES

- Interest Earned
- Account Analysis Fees
- AR Payments
- Direct Debits/Miscellaneous ACH Debits
Improving Bank Statement Accounting Matches

- Tailor Bank Statement Accounting (BSAC) Rules to Activity Type
  - SFCS mapped BSAC Rules to specific BAI Bank Statement codes, rather to more generic Activity Types
  - This allowed for a more tailored approach to trying to find matches in the bank statement addenda
Improving Bank Statement Accounting Matches

• Bank Statement Accounting is Only as Good as the Addenda Information
  – Request that counterparties provide as much information on payments, receipts, wires, etc. as possible.
  – Include as much information as available on company initiated payments, wires, receipts, etc.
Researching Reconciling Variances
Researching Reconciling Variances

- **Automatic Reconciliation Exceptions**
  - First level of researching bank statement items that have failed auto reconciliation
• Semi Manual Reconciliation
  - Allows for User-level review of unreconciled transactions and possible matches
Researching Reconciling Variances

- **PeopleSoft Queries**
  - *SFCS created custom queries tailored to different reconciliation group’s needs.*
  - Allows for more precise variance analysis.

<table>
<thead>
<tr>
<th>Value (Eff) Date</th>
<th>Statement ID</th>
<th>Reference</th>
<th>Bank Date</th>
<th>Tran Amt</th>
<th>Trans Code</th>
<th>Status</th>
<th>Statement Code</th>
<th>Addenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/23/2017</td>
<td>157 0</td>
<td>01/23/2017</td>
<td>152446.470</td>
<td>275</td>
<td>Not Found In System</td>
<td>275</td>
<td>AUTOMATIC ACCOUNT TRANSFERACCOUNT NUMBER 5124623865</td>
<td></td>
</tr>
<tr>
<td>01/23/2017</td>
<td>157 0</td>
<td>01/23/2017</td>
<td>677470.360</td>
<td>275</td>
<td>Not Found In System</td>
<td>275</td>
<td>AUTOMATIC ACCOUNT TRANSFERACCOUNT NUMBER 5221629664</td>
<td></td>
</tr>
<tr>
<td>01/23/2017</td>
<td>157 0</td>
<td>01/23/2017</td>
<td>-20.860</td>
<td>ACH</td>
<td>Not Found In System</td>
<td>451</td>
<td>ACH CORP DEBITENTRY DESC/CO NAME: ADOR_ONESP AL ONESPOT TAXRECG CO NAME: PROFESSIONAL FINANCIALCO NAME: AL ONESPOT TAXORIG BANK ID: 0910000019ID #: 170120000005166INDV NAME: PROFESSIONAL FINANCIAL</td>
<td></td>
</tr>
</tbody>
</table>
Researching Reconciling Variances

• Custom Semi Manual Reconciliation Page
  – After making multiple business process and configuration changes, SFCS still determined that greater efficiencies could be obtain through customization.
  – Working with Elire, SFCS is developing a custom Semi Manual Reconciliation page to enhance their ability to review, research, and reconcile variances and exceptions.
Researching Reconciling Variances

• Custom Enhancements Include:
  
  - **Additional search criteria**
  - **More information on main page without the need to drilldown to source.**
  - **Ability to add notes to reconciling items.**
  - **Enhanced controls and audit capabilities.**
Key Takeaways

• Reconciliation can be almost as much “art” as “science”.

• Proper configuration upfront can pay huge future dividends.

• Understanding the data provided on bank statements and transaction sources is key to defining Auto Reconciliation and Bank Statement Accounting rules that work.

• PeopleSoft provides tools and processes that are ”best of breed”, but not perfect for every organization.

• Customizations and enhancements can provide benefits worth the effort and investment.
ANY QUESTIONS?
Check out Elire’s Other Sessions from this week!

**Session #100440 – Predict Your Future with Simplified Cash Forecasting**  
Tuesday, July 18 | 3:00 – 4:00 PM | Florence | Presenter: Logan Wacker (Elire)

**Session #100430 – Pain in your Bank Recon? Pum 18 has your Automated Solutions**  
Wednesday, July 19 | 8:00 – 9:00 AM | DaVinci AB | Presenter: Logan Wacker (Elire)

**Session #102210 – Testing, Testing, 123! Leveraging PTF with your Continuous Delivery Model**  
Wednesday, July 19 | 9:15 – 10:45 AM | International Ballroom B | Presenter: Valentin Todorow (Elire)

**Session #101390 – PeopleSoft Treasury SIG Meeting**  
Wednesday, July 19 | 11:15 AM – 12:15 PM | DaVinci AB | Presenters: Paul Barnett (Ameritas), Janet Division (Wells Fargo, N.A. Finance) and John Scott (Elire)

**Session #102200 – Obtain Value from New Features in PeopleSoft 9.2 Cash Management – A St. Elizabeth Success Story**  
Wednesday, July 19 | 4:30 – 5:30 PM | Heathrow AB | Presenter: Tenzin Tsering (Elire)
Thank You!

Stop by the Elire booth or reach out to our expert below for more information!

Elire Booth #405

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