

CASH: DISBURSEMENTS PROCESSING

Contents

	<u>Page</u>
I. Introduction	2
II. Disbursements Processing	2
A. Vendor Payments	2
1. Vendor Checks	2
2. Roles in Electronic Fund Transfers	3
B. Payroll Payments	4
III. Disbursements--Accounting for Cash Transfers	4
A. Vendor Payments	4
B. Payroll Payments	5
IV. Bank Account Reconciliation	6
V. Positive Pay	7
VI. Responsibilities	7
A. Vice President-Financial Management	7
B. Treasurer of The Regents	7
C. Controllers	8
VII. References	8
Exhibits:	
A: Surepay Transfer Request	9
B: Sample Daily Disbursements Funding and Adjustments Report	10

CASH: DISBURSEMENTS PROCESSING

I. INTRODUCTION

- * The University uses Controlled Disbursement Accounts for paper disbursements made out of both Accounts Payable and Payroll. Controlled Disbursement Accounts optimize cash utilization by requiring the University to fund only the checks presented for payment on any given business day. To accomplish this, our disbursement bank issues checks drawn on our control disbursement bank. Each campus also has an account used exclusively for Electronic Fund Transfers (EFTs) (wire, foreign exchange, and Automated Clearing House (ACH), if required, payments).

II. DISBURSEMENTS PROCESSING

A. VENDOR PAYMENTS

1. Vendor Checks

- * Vendor checks are initiated by the accounting office of the campus served by the Controlled Disbursements bank account. Checks presented for payment are processed through the banking system by way of the Controlled Disbursements bank account. As these checks clear the Controlled Disbursements bank account, a report representing the total dollar amount of checks expected to clear during the day is used by the Treasurer's Office to fund the disbursements.

EFTs are initiated by either the Treasurer's Office or a campus accounting office. *For security purposes, these requests shall not be transmitted verbally to a bank or to the Treasurer's Office.*

- ** All wires are to be entered with an effective date no earlier than the day after the entry date. Should it be necessary to make a same day wire and the amount exceeds \$50,000, the campus Controller must advise the Treasurer's Office of the transaction. In addition, the Treasurer's Office must be notified for any transfer of \$5,000,000 or more.

2. Roles in Electronic Fund Transfers

Initiator - This individual enters the payment information into the system.

Approver/Releaser - Based on documentation provided, this individual confirms the propriety of the payment as well as the payee information. The responsibility of this individual is comparable to that of a check signer. Before the individual is so empowered, the Chancellor or designate (if appointed) must approve the individual assigned this responsibility.

System Administrator - This individual sets up users on the bank system used for initiating wire, ACH, and foreign currency transactions. Every administrative action must be approved by two Administrators. Each campus has a single Administrator. Any actions taken by a campus Administrator must be affirmed by one of the four Administrators at the Office of the President. Should the campus Administrator not be available and an urgent administrative action is required, two Administrators from the Office of the President can complete the action, with notice to the campus Administrator. The campus Administrator is not permitted to function as either an Initiator or an Approver/Releaser.

At least two separate individuals are required to be involved in each transaction.

- * For important security policies relating to wire, ACH, and foreign payments, see Business and Finance Bulletin [IS-3](#), Electronic Information Security. The Guidelines for Restricted Information published by Information Resources and Communications provides recommendations on the storage, transmission, or processing of confidential data are available at the following address:

http://www.ucop.edu/irc/itsec/uc/protect_data.html

Bank statements and account reconciliation reports for both the Controlled Disbursements and Electronic Payments bank accounts, which are regularly mailed by the bank to each campus, detail vendor disbursements on a monthly basis.

II. DISBURSEMENTS PROCESSING (Cont.)

B. PAYROLL PAYMENTS

Payroll disbursements are made from two separate bank accounts in order to segregate the two types of processing: check issuance (Controlled Disbursements) and electronic direct deposit to employees' bank accounts (Surepay). Checks in payment of salaries and wages are drawn against the appropriate campus payroll Controlled Disbursements bank account and funded daily by the Treasurer's Office as they clear.

Surepay transactions are paid from a bank account separate from the check issuance account. For this reason, the Surepay total from each checkwrite, with the effective settlement date of each Surepay file sent to the bank, must be faxed by the campus Controller to the Treasurer's Office in order to report the amount to be funded. The fax must be received by the Treasurer's Office at or before the time the file is sent to the bank. *Under no circumstances should the fax be sent any later than 12 noon on the working day prior to payday*, because no other advance notice on Surepay totals concerning a payday activity is available to the Treasurer's Office for funding the payroll bank account. Any adjustments made to a Surepay total, such as Surepay deletes, will be made by the Treasurer's Office on the next business day. The Surepay Transfer Request form in Exhibit A should be used by a campus to fax Surepay totals to the Treasurer's Office. Bank statements and account reconciliation reports, mailed by the bank to each campus on a monthly basis, detail payroll activities on the Controlled Disbursements and Surepay bank accounts.

III. DISBURSEMENTS--ACCOUNTING FOR CASH TRANSFERS

A. VENDOR PAYMENTS

The Daily Disbursements Funding and Adjustments Report (Treasurer's Report) prepared in the Treasurer's Office (see Exhibit B) is faxed by General Accounting in the Office of the President (OP) to the appropriate campus accounting office, the day following the day of activity.

With the exception of the Berkeley campus, the following journal entry is prepared by each campus in response to the debit entries to the financial control accounts indicated on the Treasurer's Report:

Dr. Controlled Disbursements Account	X-1101XX
Cr. Office of the President Financial Control	X-119500

For the Berkeley campus, the response to the Treasurer's Report debit entry is prepared by OP General Accounting, as follows:

Dr. Berkeley Controlled Disbursements Account	1-110110
Cr. Office of the President Financial Control--Treasurer's Journals	1-119515

B. PAYROLL PAYMENTS

Accounting for payroll Controlled Disbursements and Surepay cash transfers is similar to vendor Controlled Disbursements cash transfers.

Each campus should establish two cash accounts, one for checks clearing the payroll Controlled Disbursements bank account and the other for Surepay transactions. For those paydates with Surepay transactions, two debit entries will appear on the campus financial control account. The first entry represents the funding of checks for the current day's disbursements and will be listed on the Treasurer's Report (see Exhibit B). The other entry listed on the Treasurer's Report represents the funding of the Surepay account.

The Treasurer's Report is faxed by OP General Accounting to the appropriate campuses the day following the payroll bank activity.

With the exception of the Berkeley campus, the following journal entry is prepared by each campus in response to the entries to the campus financial control accounts indicated on the Treasurer's Report (see Exhibit B).

Controlled Disbursements

Dr. Payroll Controlled Disbursements Account	X-110XXX
Cr. Office of the President Financial Control	X-119500

III. DISBURSEMENTS--ACCOUNTING FOR CASH TRANSFERS (Cont.)
B. PAYROLL PAYMENTS (Cont.)

Surepay

Dr. Payroll Surepay Account	X-110XXX
Cr. Office of the President Financial Control	X-9500III

For the Berkeley campus, the responses to the Treasurer's Report debit entries on the Daily Disbursements Funding and Adjustments Report are prepared by OP General Accounting, as follows:

Controlled Disbursements

Dr. Berkeley Payroll Controlled Disbursements Account	1-110101
Cr. Office of the President Financial Control--Treasurer's Journal	1-119515

Surepay

Dr. Berkeley Payroll Surepay Account	1-110102
Cr. Office of the President Financial Control--Treasurer's Journal	1-119515

IV. BANK ACCOUNT RECONCILIATION

Campus Controllers are responsible for ensuring that a monthly reconciliation is made for all bank accounts. A full bank account reconciliation is offered by the bank; however, to enable the bank to provide this service, campuses must provide all check information data by either electronic transmission or magnetic tape. (The electronic transmission method is recommended because of its greater security and cost savings to the University.)

In addition to a monthly bank statement, the bank will provide the following reports to campuses upon request, in order to enable the accounting offices to reconcile their bank statements (reports marked with asterisks are the ones campuses may need to reconcile their respective bank accounts):

- a) Issue Notices Not Received Report*
- b) Outstanding Checks Report

- c) Voids and Cancels Report*
- d) Unpaid Checks Report
- e) Matched Paid Items Report
- f) Prior Payment Report*
- g) Disbursement Float Report
- h) Issues This Cycle Report
- i) Reversed Check Report*
- j) Stop Payment Report*
- k) Bank Originated Entries Report*

V. POSITIVE PAY

Campus Controllers shall institute Positive Pay service, provided by banks to protect an institution from check fraud. This service requires that campuses provide the bank with a daily file of all checks issued that day. The information should be provided by 9 p.m. of the day the checks were issued. The bank will notify the campus of any checks presented for payment to the bank that do not exactly match the issued item. Under the "return default" option the University uses, unless the campus instructs the bank to pay the item noted as not matching, the bank will return the check unpaid. **Individuals (including back-ups) with the ability to instruct the bank to pay positive pay exceptions cannot have any responsibility (as a primary or backup) in the bank reconciliation of that bank account.**

VI. RESPONSIBILITIES

A. VICE PRESIDENT-FINANCIAL MANAGEMENT

The Vice President-Financial Management is responsible for ensuring that campuses receive a Daily Disbursements Funding and Adjustments Report (Exhibit B) from OP General Accounting on the day following the bank activity.

B. TREASURER OF THE REGENTS

The Treasurer shall ensure that funds are made available to cover disbursements made from the vendor and payroll bank accounts.

VI. RESPONSIBILITIES (Cont.)

C. CONTROLLERS

The Controllers are responsible for reporting to the Treasurer's Office any wire transfers for amounts exceeding \$50,000, made with an effective date equal to the transaction date. They are also responsible for reconciling the monthly bank statement with their campus general ledgers. An independent review of this reconciliation, on a timely basis, should be made by someone in the accounting office who has no direct involvement in the reconciliation process. The emphasis of this review must be on items of significance.

VII. REFERENCES

Accounting Manual Chapter

C-173 Cash

Business and Finance Bulletin

IS-3 Security Requirements

Historical note: Original Accounting Manual chapter published 12/1/92. Revisions 12/30/93, 6/30/94, 9/30/94, 3/31/95, 9/30/95, 6/30/03, and 3/31/07; analyst--John Barrett.

EXHIBIT A: SUREPAY TRANSFER REQUEST

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF THE TREASURER

FAX (510) 987-9685

SUREPAY TRANSFER REQUEST

Today's Date:	Campus:
Payroll Date:	
SurePay File Amount:	
Requestor:	
Telephone #:	

Please call Michael Strach at (510) 987-9678 to confirm receipt.

Treasurer's Office Use

Acknowledged: _____

EXHIBIT B: SAMPLE DAILY DISBURSEMENTS FUNDING AND ADJUSTMENTS REPORT

Post Date: 10/21/1994

(Campus Name)

<u>Account Name</u>	<u>Number</u>	<u>Value Date</u>	<u>TE L</u>	<u>Number Fund</u>	<u>Debit</u>	<u>Credit</u>
Vendor Funding	4651055154	10/21/1994	56 J	110030		x,xxx,xxx.xx
Payroll CD	4759006737	10/21/1994	56 J	110031		xxx,xxx.xx
Surepay	4651057952	10/21/1994	56 J	110033	xxx.xx	
	4759006737	10/21/1994	56 J	119560 090060	xxx,xxx.xx	
	4651057952	10/21/1994	56 J	119560 090060		xxx.xx
	4651055154	10/21/1994	56 J	119560 090060	x,xxx,xxx.xx	
					_____	_____
					x,xxx,xxx.xx	x,xxx,xxx.xx