

**Automated Reimbursement Notification**

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## **Abstract**

*The University of Arkansas Cooperative Extension Service processes approximately 6,200 travel and expense reimbursements each year to employees in over 80 offices throughout the state of Arkansas. Historically, those reimbursements were paid only by check. The cost to process and distribute checks to such a geographically diverse workforce as well as the potential for delays in delivery to the employees pointed to an obvious need for a migration from checks to direct deposit. Employee acceptance was a high priority when we reviewed our options for making this change.*

*The primary area of concern was ensuring that employees continued to receive adequate information regarding the reimbursement being paid and the timing of the reimbursement without the use of a paper form. Lacking this information would greatly reduce the likelihood of voluntary enrollment. Our solution was the development of an automated system to deliver this information to employees by e-mail. Each day, when the direct deposit file is created for submission to the bank, all of the pertinent information is captured in a table. Employees are immediately notified of the date, amount and purpose of the direct deposit. They receive all of the information previously delivered on a check stub but with minimal cost and no delays.*

*This change to direct deposit for employee reimbursements was introduced in February 2002. In the month of October 2002, 42% of employee reimbursements were paid through direct deposit.*

The University of Arkansas Cooperative Extension Service is part of the land-grant university system, with the mission of helping people improve their lives through an educational process that uses research-based knowledge focused on issues and needs. With programs in agriculture, youth, family and consumer sciences, and community development, the Cooperative Extension Service has a history of educating the people of Arkansas.

### **Employee Reimbursements Historically**

The slogan for the University of Arkansas Cooperative Extension Service is “Arkansas Is Our Campus” because our clientele is literally the entire population of the state. As a result, our staff is housed in over 80 offices throughout Arkansas and travel

extensively to reach residents in all areas of the state. Approximately 400 of our 680 permanent employees are required to travel on a regular basis to fulfill their job duties.

Until February 2002, those employees were reimbursed for travel and other expenses only by check. Our Financial Services office prints checks daily, however, mail is delivered by the postal center to our county offices only twice weekly. Payroll direct deposit has been offered for several years, and a large majority of permanent employees take advantage of this service, but it had never been extended to include reimbursements. In February, we gave employees a second option of receiving reimbursement payments by direct deposit. Our motivation for implementing direct deposit for employee reimbursement was to capitalize on benefits that would accrue to employees as well as to the organization. This change would eliminate the delay employees experienced due to using the postal system while also allowing the institution to realize direct cost savings.

Even though this change was beneficial to employees, we were concerned about the possibility that it would be poorly received. Checks certainly slowed down the reimbursement process, however, they were dependable and our faculty and staff were comfortable with them. Any inconvenience, such as requiring employees to look up the details related to the deposit, introduced by this change would lead to rejection. As a result, we knew that some method of delivering the reimbursement information to the employee must continue but we did not want that requirement to reduce the potential cost reductions. Simply replacing a check with a printed direct deposit advice would eliminate virtually all of our expected savings from the switch to direct deposit.

### **Meeting Both Needs**

The automated reimbursement notification solution we designed gave us the best of both worlds. When a reimbursement has been paid by direct deposit the employee is notified by e-mail. The employee has his money in the bank three to seven days sooner and still receives all of the information he would have gotten on a check stub including the amount and purpose of the reimbursement. This eliminates any need for employees to look up the information and increases the likelihood of acceptance.

From the institution's perspective, we have eliminated the printing and mailing of a paper document, which saves the printing, paper and postage costs as well as labor costs to handle the documents. In addition, our bank fees are reduced because the processing charge for ACH transactions is 37% less than for check processing. Everyone is happy!

### **Process Design**

Our accounts payable system is set up to pay by direct deposit, however, the automated notification process had to be created in-house. The notices are generated by combining data from several different tables that already existed in the accounting database. When the direct deposit file for submission to the bank has been created, a separate process is initiated that extracts that information and combines it with the invoice information and the employee's e-mail address to create the notices. We chose to leave one manual step in the process to allow us an opportunity to review the e-mail notices before they are sent. If that review step were eliminated, this process would be completely automated with no additional processing time. A sample of the notices received by employees is included below:

Your reimbursement has been sent to your checking account by Direct Deposit on 11/07/2002. Please allow 1 to 2 business days for processing by the bank. This deposit includes reimbursement of:

\$120.96 for: Oct Travel

Of course, most rules have exceptions and this process is no different. We have an insignificant number of employees who receive reimbursements by direct deposit but do not have an e-mail address. For those exceptions, a paper copy of the notice is generated and mailed.

### **Future Plans**

This option of reimbursement by direct deposit was introduced to employees in February 2002 and had an initial adoption rate of approximately 30%. Our rate of acceptance continues to climb and during the month of October 2002, 42% of employee reimbursements were paid by direct deposit. We continue to emphasize the benefits of direct deposit by mailing promotional material with employee reimbursement checks.

During November 2002, we began testing direct deposit payments for external vendors. The automated notification system will be used to alert vendors when payments are made and provide details to assist with their processing. As with employee reimbursements, we intend to provide vendors with all the information they previously received on a check stub including the vendor invoice number, our purchase order number and a brief description of the invoiced items. The current notification process will be modified to accommodate payments to both employees and vendors. An office supplies vendor with a large volume of activity was selected as our test case to ensure

that a number of possible scenarios have been addressed before this option is offered to other vendors.

### **Conclusion**

Although we had hoped for greater employee participation, we believe the reimbursement notifications are a success. Direct deposit for employee reimbursements had not been attempted prior to 2002 so we do not have historical data to support this claim, however, we feel the participation rate would be no more than half of the current rate if automated notices had not been implemented at the same time. The reduction in time required to reimburse employees, the lack of additional effort on their part, a cost savings to the organization and absence of additional processing steps make this a positive change for everyone involved.