

UC Financial Management

University of California
Business Officer Institute
May 22-24, 2007

Agenda

- Stewardship Role in Financial Management
- Financial Management Responsibilities
- University Accounting/Financial Reporting
- Resources

Economic Impact of UC

- \$19.5 billion in FY06 expenditures
- >209,000 regularly enrolled students
- >302,000 Extension students
- >124,000 FTE faculty & staff
- >3.6 million patient visits to University hospital clinics and emergency rooms annually



Financial Management *Stewardship Role*

Setting the Tone: Financial Management Practices

The role of the Business Officer includes setting the tone and expectations for financial management in his/her organization.

- If you were developing a set of principles of sound financial management to guide behavior in your department what would you include?

Financial Management Stewardship Role

Ensuring: Adequacy of Financial Controls

The role of the Business Officer includes ensuring that financial controls are in place and are effectively carried out.

Internal Control is broadly defined as a process, effected by management, designed to provide reasonable assurance regarding achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Objectives – Controls = Residual Risk

Financial Management Stewardship Role

Ensuring: Regulatory Compliance

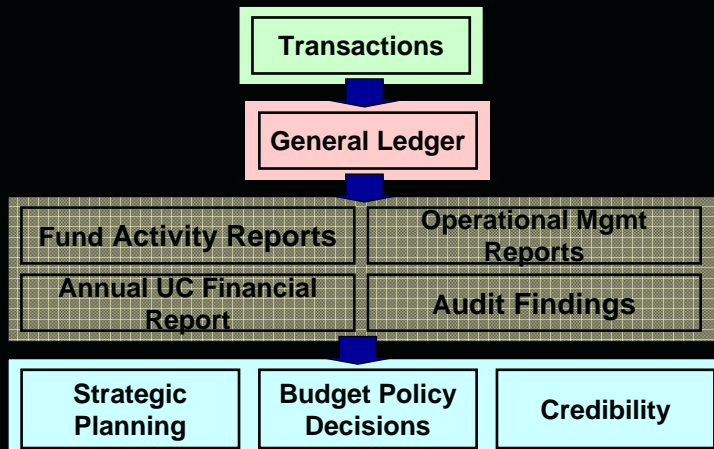
The role of the Business Officer includes knowing the environment and the policies, laws, and regulations that impact the business they are conducting and ensuring that practices are in compliance.

Before you act, ask:

- ◆ What are the policy impacts?
- ◆ What are the regulatory impacts?
- ◆ Where are there informational or training resources?
- ◆ What are the risks to the institution and to my department if I proceed without all of the facts?

Financial Management Stewardship Role

Ensuring: Integrity of Transactions



Financial Management Responsibilities

Planning and Budgeting

- Identify resources needed to achieve goals
- Measure current financial performance against a benchmark
- Discover significant transactional errors
- Detect significant changes in circumstances or business conditions
- Modify future plans and take corrective action



Financial Management Responsibilities

Staffing and Work Environment

- Competent, knowledgeable staff
- Background checks for critical positions
- Resources to succeed
- Clear performance expectations
- Training and support
- Objective feedback & performance evaluations
- Open communications
- Improvement-oriented



Financial Management Responsibilities

Securing an Effective Accountability Structure

- Must be documented, approved and regularly reviewed
- Cannot delegate greater authority than you have
- Tasks must be delegated to qualified individuals
- Clear audit trail must exist
- Responsible for ensuring that those tasks are properly performed

Financial Management Responsibilities

Transaction Processing - Preparer Responsibility

Must understand:

- Process
- Basic policy and regulatory requirements
- How to properly code transactions
- How to respond to edit messages

Financial Management Responsibilities

Transaction Processing - Reviewer Responsibilities

- Independence
- Check for accuracy and appropriateness
- Check for policy and regulatory compliance
- Investigate and resolve all issues
- Designate an appropriate backup

Financial Management Responsibilities

Internal Controls

- Periodic risk assessment
 - Process redesign
 - External influences
 - Reorganizations
 - Regulatory changes
- Cost-benefit



Financial Management Responsibilities

Analyzing Costs, Benefits and Risks

- When commitments are made to accept or expend University funds, the following should take place:
 - Analysis of costs, benefits and risks of planned activities
 - Prudent and necessary use of “Public Trust” funds



Financial Management Responsibilities

Resource Management

- Process for monitoring and evaluating data:
 - Ensure that locally generated data is accurate
 - Compare budget to actuals
 - Review revenue/expenses
 - Investigate significant deviations
 - Correct any errors before next ledger cycle
 - Document corrective actions



Financial Management Responsibilities

Maintaining a Reliable Computing Environment

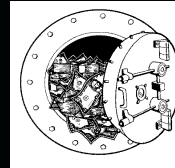
- Physical Security
 - Access Controls
 - Logon ID's and Passwords
 - Firewalls
 - Encryption or Truncation of Personal Data (SB 1386)
- System Applications Issues
 - Segregation of Duties
 - Programming Change Controls
 - Programmer Background Checks
 - Backups and Disaster Recovery



Financial Management *Responsibilities*

Safeguarding University Assets

- Physical security of records and assets
 - Cash receipts, petty cash and change funds
 - Inventories
 - Inventorial Assets
 - Records



Financial Management *Responsibilities*

Responding to and Resolving Audit Findings

- External Audits
 - Regulatory Audits
 - IRS
 - State Franchise Tax Board
 - Compliance Audits
 - External Sponsors
 - A-133
 - NCAA
 - DS-2
 - Financial Audits
- Internal Audits



Financial Management *Responsibilities*

Cash Management

- Segregation of Duties
- Accountability
- Physical Security
- Prompt Deposit
- Monitoring and Reconciliation
- Compliance with Payment Card Industry Regulations



Financial Management *Responsibilities*

Receivables Management

- Prompt billing
- Monitoring
- Follow-up
- (Dis)incentives - activity holds
- Collection efforts and write-offs



Financial Management Responsibilities

~~Conflict of Interest~~

- Business must only benefit University
- UC employee or close relative must not personally benefit financially in any way from the conduct of business
- Report situations where potential for personal gain exists for evaluation
- Perceived conflicts of interest should also be evaluated

Financial Management Responsibilities

Record Retention

- Regulatory Requirements
 - University Records Disposition Schedules Manual
- Legal Issues
- Cost Issues
- Technology Issues



Financial Management Responsibilities

Support Group Activities

- Similar stewardship responsibilities as Business Officers
- Requires ongoing recognition of the Chancellor
- Use of the University name restricted



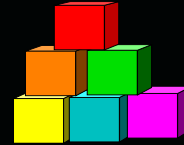
University Accounting/Financial Reporting

- Accounting Conventions
- Institutional Impact of UC Financial Statements
- Other Issues

University Accounting/Financial Reporting Accounting Conventions

Accounting Standards and Principles

- Generally Accepted Accounting Principles (GAAP)
- Governmental Accounting Standards Board (GASB)
- Cost Accounting Standards Board (CASB)
- American Institute of Certified Public Accountants (AICPA)
- National Association of College and University Business Officers (NACUBO)



University Accounting/Financial Reporting Accounting Conventions

Concepts of Fund Accounting

Fund accounting is the procedure by which financial resources are classified for accounting and reporting purposes in accordance with activities or objectives specified by donors, by regulations, restrictions or by limitations imposed by outside sources.



University Accounting/Financial Reporting Accounting Conventions

Account Coding

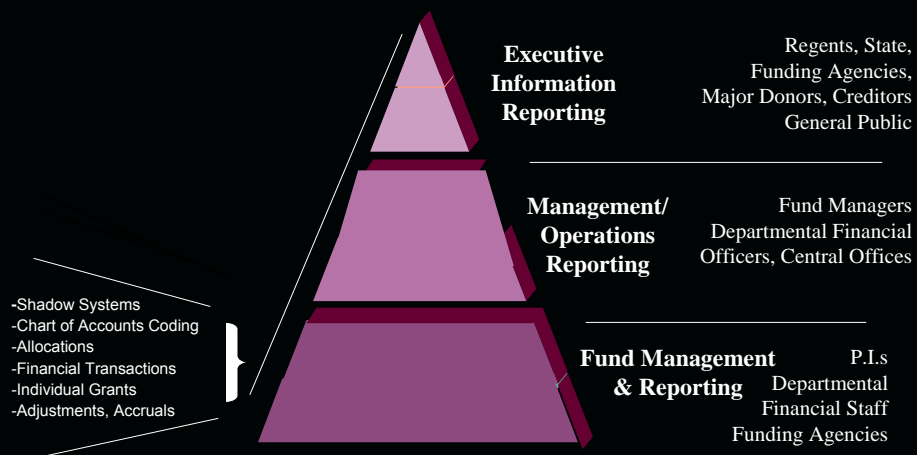
*Consistent and Standard Use
 Among and Within Campuses
 is Critical*

*(Does not require consistent
 format, but consistent way to
 view data)*



- **Account Codes**
 - Rolled up for Financial Reporting
 - Classes of Accounts
 - Functional Reporting
- **Funds**
 - Rolled up for Financial Reporting
 - Source of Funding
 - Restrictions
- **Object Codes**
 - Reflect Objects of Expense
 - Used for Compliance with Costing Requirements

University Accounting/Financial Reporting Institutional Impact of UC Financial Statements Financial Reporting Hierarchy



University Accounting/Financial Reporting *Institutional Impact of UC Financial Statements*

External Financial Audit

- Annual financial statement audit provides assurance to Board and other audiences that financial reports meet standards of integrity
- Audit also serves to identify areas for improvement
 - Financial Controls
 - Systems
 - Accounting Practices
- New audit standards in FY07 lower the bar for communication of control weaknesses/deficiencies (SAS 112)



Resources

Internal

External



Internal Resources

- UC Policies
<http://www.ucop.edu/ucophome/coordrev/ucpolicies/>
- UC Research Administration Office
(and links to OMB circulars)
<http://www.ucop.edu/raohome/>
- Business Officers Institute
<http://www.ucop.edu/ucophome/businit/boi/>



External Resources

- Regulatory Updates, Training Opportunities
National Assn. of College and Univ. Business Officers
<http://www.nacubo.org/>
- Extramural Funds Management
Council on Governmental Relations (COGR)
“Managing Externally Funded Programs at Colleges and Universities: A Guideline to Good Management Practices “
<http://www.cogr.edu>
(Click on “Educational Materials” and “Research Administration”)



Business Officer Quiz

