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**Responsible University Office:**  
*Finance Office*

**Responsible University Administrator:**  
*Vice Chancellor for Business and Finance*

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## Fiscal Responsibility and Review of Financial Reports Policy

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### Scope

This policy applies to all university units and departments of the University of Nebraska at Kearney.

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### Policy Statement

For internal control purposes, the department head must establish ongoing control activities to provide assurance that financial transactions are appropriate and that they are accurately recorded.

Every cost center or WBS element (hereafter referred to as a fund center) is assigned to a person who is responsible for managing the financial resources associated with that fund center and executing these responsibilities with integrity and ethical conduct. The responsible person is generally the department head but may be the coordinator of a program or principal investigator of a grant.

The person responsible for the fund center generally carries out control activities. However, the person responsible may delegate this responsibility within these constraints:

1. Accountability for the fund center cannot be delegated.
2. The delegate must be someone who has adequate knowledge of the department's business activities to be able to identify unusual budget variances, unauthorized or inappropriate expenses, or inaccurate revenues.
3. The delegate cannot be a person who has the authority or the ability to process or post the transactions (generally the Administrative or Office Associate).
4. The delegated responsibility must be documented, specific, and updated as necessary. The document, signed by both the responsible person and the delegate, should be stored in the department for evidence of delegation terms.
5. The person delegating responsibility must periodically verify that the control activity is being performed properly.

Segregation of duties is the concept of having more than one person required to complete a transaction and is intended to prevent fraud and error. In an ideal control environment, the review and reconciliation of financial activity would be performed by an individual who does not have the authority or ability to initiate, record or authorize transactions. However, in smaller university units and departments where only two or three administrative positions may exist, appropriate segregation of duties can still be accomplished through two different activities or roles that are carried out in a diligent and consistent manner:

1. High-level budget review and analysis by the person responsible for the budget (department chair, director, program coordinator, principal investigator).
2. Detailed comparison of posted transactions against supporting documentation (department office associate).

The responsible person (or delegate) of a fund center must perform a high-level review of the financial reports on a monthly or quarterly basis. Administrative or Office Associates should perform a detailed reconciliation of general ledger line item reports to source documents such as PACF's, invoices, etc. on a monthly basis for each fund center. Unusual variances, errors, unknown or inappropriate transactions, and missing transactions must be researched and resolved. Source documents such as invoices, trip authorizations, time sheets, etc. should be examined as necessary to resolve questions and validate explanations provided by employees, vendors, service centers, etc. Corrections and transfers should be reviewed to ensure that they are completed and posted. Corrections should be verified on subsequent financial reports.

If inappropriate, fraud, or illegal activities are suspected, the reviewer must report this suspicion to their supervisor or Internal Audit immediately. Where the potential for personal financial gain exists, the reviewer should verify that the potential conflict of interest was reported and evaluated before the financial transaction was executed.

Review and reconciliation should be completed monthly, but no less frequently than quarterly. All financial information for a fiscal year should be reviewed and reconciled by July 20 following fiscal year-end. Timely review of financial reports expedites the correction of errors allowing for more accurate internal reporting for management

decisions and external reporting to granting agencies, bondholders, and the general public.

Departments are required to provide evidence that control activities are being performed on a regular basis. Evidence includes documenting which financial reports were reviewed and for which fund centers, the time period covered by the review, the person performing the review, and the date that the review was performed. Explanations or resolutions to any variances should also be documented and evidence of corrective actions maintained. Documentation of the control activities should be retained for one fiscal year after the fiscal year in review.

The Finance Office will visit campus departments periodically to monitor that the review and reconciliation of financial reports is being performed and documented. In addition, because management relies upon these procedures for internal control, compliance with these procedures will be subject to review by internal and external auditors.

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## Reason for Policy

This policy provides guidance to University personnel responsible for a fund center and establishes procedures for the requirement to perform and document a review of financial reports.

Timely examination and reconciliation of transactions by colleges and departments is an effective first line defense against fraudulent and erroneous transactions. Transactions that have posted in error, or should not have posted at all, to fund centers are suggestive of a department's indifference to processing transactions accurately or attempts to process fraudulent transactions. An on-line or timely review and reconciliation of month-end reports facilitates the early detection of errors or fraud.

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## Procedures

There is a variety of reports available online to assist departments in routinely reviewing their budget status, revenues, payroll, and operating expenses.

Access to the Firefly Business Intelligence financial reports or SAP financial reports can be requested at Firefly>SAPPHIRE>Firefly Security Request or by calling the Finance Office 8524.

The reports listed below are available online through Firefly Business Intelligence (BI). The reports can be printed (as PDF) or downloaded to Excel. Firefly BI reports include all data posted in SAP through the previous day.

To provide evidence of the control activities, it is recommended that at a minimum, the following three reports should be a) printed (or saved as PDF or Excel document), b) reviewed, and c) signed and dated on a monthly or quarterly basis by the responsible person for each fund center. Alternative methods of documenting evidence of the control activities are at the discretion of the responsible person. These steps should be performed

monthly (instead of quarterly) for fund centers having more than ten transactions per month on average.

1. CC/WBS Revenue/Expense Summary
2. Salary Balances
3. Actual Expense Detail

### **High-level summary reports in Firefly Business Intelligence:**

***CC/WBS Revenue Expense Summary*** report provides a summary of budget or revenue compared to expenses by major expense category and tells the “variance” (how much is left over). Open commitments for the fiscal year are also summarized. For revolving activities, this report includes revenues, expenses, and any fund balance carried forward from prior years. Grants and construction projects report life-to-date balances rather than fiscal year balances.

#### **Items to view on the report:**

- a) Does the budget or revenues meet your expectations?
- b) Do the total expenses for each major category appear reasonable and meet your expectations? Click on the triangles ► to collapse and expand the categories to see more detail.
- c) Do the commitments appear reasonable and meet your expectations?
- d) Are you over budget? If so, is there a plan to remediate?

***Salary Balances*** report provides a summary of the payroll budgeted for the fund center as well as the actual amounts paid to each employee and the amount committed to be paid out to each employee in the future.

#### **Items to view on the report:**

- a) Do you recognize all of the names on the report as employees that should be paid from this fund center?
- b) Does the budget for each person appear reasonable and meet your expectations?
- c) Do the actual amounts paid to each person appear reasonable and meet your expectations?
- d) Do the committed amounts to be paid to each person in the future appear reasonable and meet your expectations?
- e) Are you over budget? If so, is there a plan to remediate?

***Summary by Fund Type*** report is a high-level report used to monitor multiple fund center balances on one report and is especially useful for department chairs who have many fund centers to monitor.

### **Detail transaction reports:**

***Actual Expense Detail*** report provides a detailed list of payments to vendors and revenues deposited for the fund center. The report displays the information in sequential

order by type of revenue or expense (Cost Element) by posting date. Information such as vendor name, reference numbers and descriptive text is also displayed.

**Items to view on the report:**

- a) Do the expenditures look reasonable? Did you authorize them?
- b) Do the revenues look reasonable and meet your expectations?
- c) Is there anything missing (revenues or expenses) that you were expecting?

***Commitment Detail*** report displays open commitments for a particular fund center. Commitment items include salary, eSHOP, and purchase order commitments.

***Payroll Cost Detail and Payroll Detail*** reports provide summary or detailed listings of payroll transactions posted during a specific period or range of periods within a fiscal year. The reports can be generated on a fund center and then sorted or restricted to one or more personnel numbers.

***Payroll Cost Distribution*** report will identify the payroll allocation for an employee paid from multiple funding sources. The report can be generated on one or many personnel number(s) to display the cost distribution data for specific individual(s).

***SAP Online reconciliation*** (transaction code ZFIREVDOC) is a tool only available in SAP that allows departments to add an online check off once financial transactions charged to a fund center have been reconciled. It is simple and may eliminate the need to print reports to reconcile.

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## Definitions

**Commitments:** Commitments are contractual or scheduled commitments that are not yet reflected in actual expenditures but will lead to actual expenditures in the future. They can include yearly salary commitments, purchase order commitments or manual department commitments.

**Cost Center:** Cost Centers are used to plan, gather and track costs for a University unit or department for state-aided non-revolving funds (cost centers that begin with 51), state-aided revolving funds (cost centers that begin with 52) and auxiliary funds (cost centers that begin with 53). Cost centers are 10 digit numbers. Within a department, multiple cost centers may be set up to further break down expenses by project or activity.

**Cost Element (also known as G/L Account):** The Cost Element is a six-digit number that identifies the nature of revenue/expense transactions (e.g. course fees, printing, office supplies). Cost Element account numbers that begin with 4 are used to record revenues from various sources. Cost Element account numbers that begin with 5 are used to record disbursements for the procurement of goods or services.

**Department Head:** The person responsible for a department's financial resources. Typically refers to the positions of Chancellor, Vice Chancellor, Dean, Chair, and Director.

**Fiscal Year:** The 12-month period for which budgetary authority is granted and for which external financial statements are prepared. The University of Nebraska operates on the same fiscal year as the State of Nebraska: July 1 through June 30.

**Fund Center:** A Cost Center or WBS.

**G/L Account (also known as Cost Element):** The General Ledger account is a six-digit number that identifies the nature of revenue/expense transactions (e.g. course fees, printing, office supplies). G/L account numbers that begin with 4 are used to record revenues from various sources. G/L account numbers that begin with 5 are used to record disbursements for the procurement of goods or services.

**Internal Control:** An internal control plan is a system of checks and balances and includes established ways to prevent and detect intentional and unintentional errors.

**PACF:** Personnel Action Change Form used for rehire actions, organizational changes, rate/salary changes, funding changes and separations.

**Revolving Funds:** Revolving funds represent self-supporting activities where the balances roll forward from year to year such as lab fees and clinic/workshop revenues.

**Variance:** Variance generally represents the amount of budget remaining after actual expenditures and commitments have been subtracted.

**WBS Element:** WBS Elements are used to plan, gather and track costs for a grant or contract, agency or plant project. WBS elements are 13 digit numbers and begin with 54, 55, 56, 57 or 59.

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## Additional Contacts

| <i>Subject</i>       | <i>Contact</i> | <i>Phone</i>   | <i>Email</i>    |
|----------------------|----------------|----------------|-----------------|
| Accounting/Reporting | Karen Labenz   | (308) 865-8785 | labenzk@unk.edu |
| Budget Office        | Chris Moran    | (308) 865-8202 | moranci@unk.edu |
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## Forms

[Firefly Reporting-Review and Document](#)

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## Related Information

[Firefly Reporting-Running Reports](#)

***SAP Security Request*** is an online form for requesting access to both SAP and Firefly reports. The link to the form is located on the bottom-right of the Firefly/Sapphire page.

[University of Nebraska Internal Control Plan](#)

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## History

This policy replaces current policy located at Business and Finance Policy and Procedures.