BUSINESS MANAGER TRAINING
FY 2011
Financial Services
Policies and Procedures

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Presentation Objectives

• Knowledge of various entities/policies/standards governing financial transactions.

• Understanding what constitutes public funds/monies at ASU, and the importance of public purpose.

• Familiarity with the financial responsibilities of ASU business administrators.
(State) Policy Making Entities Include

- **STATE OF ARIZONA**
  - State Statutes
    [http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp](http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp)
  - General Accounting Office Policy Manual
- **ARIZONA BOARD OF REGENTS (ABOR) Policy Manual**
  [http://www.azregents.edu/](http://www.azregents.edu/)
- **ASU ADMINISTRATION**
  - Provost/Vice Presidents’ Offices
  - Policies and Procedures Manuals*
  - Accounting standards through Financial Services
- **COLLEGES/DEPARTMENTS**

*Note: Policy manuals are subject to updates/revisions and should be checked for current information.*
State of Arizona – Laws and Policies

- Misuse of public funds.

- Documentation of public purpose served.

- Gifting/Loaning of public funds.
  - No documented public purpose
  - Deficits in ASU accounts if funding is in ASU Foundation accounts
  - Employee overpayments

- Prepayments.
  - Standard industry practice (subscriptions, airline tickets)
  - Clear (documented) economic benefit - $
    - Must have preapproval from Purchasing & Financial Service (form)

- Travel policies.

- Prohibits unfair competition with private enterprise.

- Prohibits student support to be paid for with state general fund appropriations.
Generally accepted accounting principles (GAAP)

- Rules, procedures and conventions guiding accounting and reporting practices.
- Uniform and consistent accounting standards ensure that ASU’s financial statements are fairly and consistently presented.
- Accounting and financial reporting standards for all state and local entities, including public colleges and universities are set by the Governmental Accounting Standards Board (GASB).
- ASU’s related organizations (ASUF, Alumni Association etc.) follow standards set by the Financial Accounting Standards Board (FASB).
Why is GAAP Important?

- **CONSISTENCY.** “Levels the playing field.” Ensures all organizations would record material transactions in the same manner. Also ensures activity is presented the same way across all accounting periods.

- **RELEVANCE.** Information in the financial statements should be appropriate to assist a person evaluating the statements to make educated guesses regarding the financial state of the organization.

- **RELIABILITY.** Information presented is reliable and verifiable by an independent party. 
  - Organization is presenting a clear picture of what really happened during the period being reported.

- **COMPARABILITY.** Allows for comparison of financial statements to similar organizations. 
  - Allows for a benchmark to show how an organization is doing compared to peers.

- Individual (departmental) instances of non compliance can lead to an increase in audit scope, which can delay the issuance of the Financial Report.

- If ever received, a negative audit opinion could potentially impact 
  - state appropriations 
  - enrollment numbers 
  - level of oversight by State or ABOR 
  - bond ratings for debt the University issues 
  - ability to receive governmental grants 
  - the ability to solicit gifts
Accrual Accounting

- Accrual accounting is the matching of revenues and expenses.

- Estimates are something used to record activity within the period.

- Related revenues and expenses should be recorded in the same period.

- If expenses are incurred in advance of the revenues being **earned** – the expenses should be deferred at year-end.

- If the revenue is earned but not all the expenses recorded, then outstanding expenses should be recorded (accrued) before the end of the fiscal year.

- Financial Services coordinates the year-end journal entries, including accruals, for the University.

- Accruals are reversed in the next accounting period so the activity is not recorded twice.
State of Arizona Code of Conduct

Covers State of Arizona employees whose responsibilities include the administration of public monies.

- Integrity
- Competence
- Professional Conduct
- Conflict of Interest
State of Arizona Code of Conduct
For Employees Engaged in Accounting, Financial and Budgeting Activities

The Chief Financial Officers of the Agencies of the State of Arizona are financial and accounting professionals committed to promoting the highest standards of personal ethics, competence and professional conduct. Therefore, we embrace the following moral, ethical, legal and professional standards as the minimal values to be exhibited by those in Arizona Government engaged in accounting, financial and budgeting activities.

www.gao.az.gov
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**Integrity**

- Demonstrate loyalty to the government of the State of Arizona and show respect for the public it serves.
- Exhibit confidence in and support your colleagues, the officers and employees of the State.
- Avoid the evidence or appearance of impropriety in any professional dealings.
- Refuse to engage in any activity that jeopardizes your ability to carry out your duties or fulfill your responsibilities.
- Do not prepare, sign or issue any financial information not adhering to professional standards.
- Support the goals of State Government and promote the mission of your agency or department.

**Competence**

- Assume the responsibility for your personal continuing professional education and development.
- Maintain a current working knowledge of developments and emerging issues in government finance and accounting.
- Promote the highest standards of professional competence within your organization and among your peers.
- Support and encourage continuous training and development in your professional disciplines.

**Professional Conduct**

- Carry out your responsibilities consistent with the highest standards of quality, efficiency and customer service.
- Support compliance with generally accepted accounting principles and auditing standards.
- Comply with all Federal and State regulations and statutes.
- Adopt those technologies that will provide improved performance.

**Conflict of Interest**

- Conduct yourself in a manner that will promote public confidence.
- Never engage in any activity that would suggest favoritism or a conflict of interest.
- Do not use public resources for personal or political gain.
- Avoid behavior or associations that might impair your objectivity or independence.
- Honor and adhere to the professional and personal codes of conduct applicable to a public official.
Misuse of Public Monies

Arizona Revised Statutes § 35-301 (also FIN 124)

35-301. Duties and liabilities of custodian of public monies; violations; classification
A public officer or other person, including justices of the peace and constables, charged with the receipt, safekeeping, transfer or disbursement of public money is guilty of a class 4 felony who:
1. Without authority of law, appropriates it, or any portion thereof, to his own use, or to the use of another.
2. Knowingly loans it, or any portion thereof.
3. Knowingly fails to keep it in his possession until disbursed or paid out by authority of law.
4. Without authority of law knowingly deposits it, or any portion thereof, in a bank, or with a banker or other person, except on special deposit for safekeeping.
5. Knowingly keeps a false account, or makes a false entry or erasure in an account of, or relating to it.
6. Alters, falsifies, conceals, destroys or obliterates such an account with an intent to defraud or deceive.
7. Knowingly refuses or omits to pay over, on demand, public monies in his hands, upon presentation of a draft, order or warrant drawn upon such monies by competent authority.
8. Knowingly omits or refuses to transfer the money when a transfer is required by law.
9. Knowingly transfers the money when not authorized or directed by law.
10. Knowingly omits or refuses to pay over to an officer or person authorized by law to receive it, any money received by him when a duty is imposed by law to pay over the money.
ARS § 35-302. Public money defined

35-302. Public money defined
The phrase "public money" as used in this article includes bonds and evidence of indebtedness, and money belonging to, received or held by, state, county, district, city or town officers in their official capacity.
Public Funds (Public Monies) at ASU

• Once deposited in an ASU account monies becomes public funds. This includes all ASU revenues. Examples are gifts, program fees revenues, sales and services revenues from external customers, indirect cost recoveries.

• Gifts to ASU can not be returned to the donor without the approval of the ASU Office of General Counsel.

• ASU public funds can not be deposited at the ASU Foundation - or transferred to ASU Foundation accounts.
ABOR Directive Regarding Fiscal Responsibility

The Arizona Board of Regents have indicated a desire for stringent personnel actions for those that intentionally or flagrantly misuse or mismanage financial transactions, or do not follow financial policies and procedures.

Sanctions for the violator’s supervisor, or others with oversight responsibilities are possible.
State of Arizona - Auditors Scope

- The State of Arizona Office of the Auditor General performs the annual financial audit of ASU.
  - Preliminary work is typically May through June
  - Final work is typically September – mid November

- Items which formerly were ‘points for discussion’ have been raised to management letter comments.

- Increased the time span of audits as more comprehensive reviews are required by auditing standards.

- Advantage – ASU’s official system of record for financial transactions.
  - Auditors will ask for original source documents for all transactions in their audit sample.
  - Put as much information as possible in Advantage document and description fields

- IMPACT ON ASU AREAS – THE BETTER DOCUMENTED YOUR TRANSACTIONS ARE THE FASTER WE CAN RESOLVE AUDITOR QUESTIONS.
Auditors’ Responsibility

- Auditors express an opinion on the financial statements.
- Must obtain reasonable assurance that the financial statements are free from misstatement.
- Assess the accounting principles used for estimates and preparation of the statements.
- Conformity with GAAP.
- Report on internal control.
- Report on compliance with certain laws, regulations, contracts and grants.

Note: The audit sample size is relatively small, so if ‘problems’ are identified in the sample, the scope of the audit size can be significantly impacted.
Financial Services Website

http://cfo.asu.edu/fs
FIN 129: Ensuring Financial Integrity

Purpose

To promote the overall accuracy and ensure the integrity of university financial information.

Sources

Arizona Department of Administration, General Accounting Office
University policy

Background

It is the responsibility of every university employee to help ensure that financial information in ASU’s records, and as reported to the public, is reasonably accurate and complete. In trying to strengthen financial controls in its reporting process, the Arizona Board of Regents and the university have adopted some of the best practices contained within the federal Sarbanes-Oxley Act of 2002, which currently applies only to publicly traded companies. This proactive approach to preserving financial integrity will help assure management, taxpayers, and grant providers that university funds are being utilized and reported appropriately.

Policy

All university employees are obligated to perform their duties in compliance with all applicable laws and university policies and procedures. The university has developed and implemented internal controls and procedures that are intended to detect, deter, and prevent erroneous financial reporting and improper conduct. Violation of these policies and procedures could subject the violator to disciplinary and/or legal action per applicable university policies and state statutes. With respect to financial matters, the university adheres to the Code of Conduct for State of Arizona Employees Engaged in Accounting, Financial and Budgeting Activities (“Code”). This Code was issued by the State of Arizona (Arizona Department of Administration, General Accounting Office) on April 3, 2000 (see http://www.azo.state.az.us/publications/4th_bulletins/4th003.pdf).

The university has a toll-free Campus Safety and Compliance Hotline that is operated by an outside vendor. Reports of suspected financial transgressions can be submitted to the hotline (anonymously, if desired) by calling 1-877-SUN-DEVL (1-877-786-3385). For more information, see the Campus Safety and Compliance Web site.
FIN 203: ORG MGR RESPONSIBILITIES

1. Authorize appropriate account signers
2. All transactions on account are appropriate. There is sufficient indication of the public purpose served.
3. Has primary and ultimate responsibility for sound internal controls in regards to account(s)
4. Monitor adherence by their staff to university policies and procedures
5. Control spending so deficits do not occur
6. Determine timely funding sources for any agency/org deficits.
7. Do not allow accounts to be in deficit if funding is available at related organizations (ASU Fdn)
8. Adhere to Financial Services Policies & Procedures
9. Designate another person as org manager if transferring to another position on campus or leaving ASU
10. Review monthly Advantage reports to determine that all charges are appropriate. The monthly expense review should also include the use of Dashboard Reports or other resources as necessary to verify salary/wage expenses for each employee.
11. Contact Financial Services accountant, or Grants and Contracts accountant, if clarification is needed.
12. Ensure any lobbying related expenses has appropriate approval
13. Ensure capital expenses are appropriate/needed
14. Awareness of conflict of interest policy; university policy & ARS 38-501 to 511
15. Signature stamps are not appropriate on documents obligating the University to expend funds.
16. Restrict personal use of university resources. If it does occur immediate reimbursement is required.
17. Contact Financial Services for guidance on sales tax issues related to departmental sales of goods/services.
18. Contact Financial Services to close accounts which are no longer needed.
19. Ensure ASU Foundation accounts are used appropriately.
20. Makes all payments to nonresident aliens through ASU account, not financially affiliated organization.
21. Obtains fingerprint checks from appropriate faculty or staff.
22. Ensure all vendors are allowable per U.S. Dept. of Treasury Specially Designated Nationals List
23. All federal funds are to be deposited with Sponsored Projects, (with the exception of federal financial aid)
FIN 210: Business Manager Responsibilities

Purpose
To describe business manager responsibilities for reviewing financial reports

Source
University policy

Applicability
Business managers and others performing business manager functions

Policy

Monthly Financial Reports
Business managers must review the monthly financial reports for their areas, including lower-level operating units. This review may include a review of monthly rollup reports or other available monthly reports where rollup reports are not available. The monthly review should be done within 30 days of the report preparation date (in the upper left-hand corner of the report). Business managers should:

1. use the procedures provided below in their review of the monthly financial reports
   or
2. develop their own written procedures for identifying significant financial variations.

If significant financial variation is apparent, the business manager must determine the cause for the variation, take corrective action in a timely manner, and report the variation to higher-level management (for examples of the types of variations, see "Significant Financial Variation" and "Insignificant Financial Variation" below).

Note: Financial irregularities may or may not cause any significant financial variation in the accounting records. Financial Services will notify university management of any significant financial variations that come to attention of the office.

Org Manager Responsibilities
In addition to reviewing the monthly reports, business managers must also fulfill any org manager responsibilities assigned to them, e.g., reviewing the monthly reports for agency/orgs of their direct supervisor.

Consulting Assistance
Upon request, Financial Services provides consulting assistance to business managers on the accounting data reflected in the monthly reports and on accounting techniques useful to business managers.
FIN 112: ACCOUNTING ASSISTANCE

For questions not answered by FIN, or if there are specific financial transactions concerns, departmental personnel should contact:

- Their college/department business manager
- Provost or vice president’s office financial administrator
- Financial Services accountant or higher level position within Financial Services
- If needed/appropriate, Financial Services will ask for the opinion of Morgan Olsen – Executive Vice President, Treasurer and CFO
University Revenues

- FIN 300 – Deposits of University Funds.
- University funds can only be deposited into ASU accounts associated with approved bank accounts.
- Timely depositing.
- Gifts to ASU (including gifts-in-kind) must be processed through the ASU Foundation into ASU departmental accounts. ASUF issues official gift receipts.
- FIN 303 – Requires GIK transactions with donor provided appraisal of >$1M to be provided to the Sr Assoc VP Finance before it is recorded.
- FIN 308-01 – Overall Revenue Coding Structure.
- Cash handling requirements.
- Timely invoicing of revenues due. External/Internal.
- Matching of revenues to expenses.
- Year End Accruals/Deferrals. Revenue earned in a fiscal year must be recorded in that fiscal year.
Expenses

• Public Purpose Served – benefit to ASU (FIN 119)
• Appropriate supporting documentation.
• Even if we can do it, should we? Headlines test.
• Prohibited Transactions (FIN 401-03).
• Misuse of Public Monies (FIN 124).
• Personal Use of University Resources (FIN 117)  
  Don’t – but if you do, reimburse ASU immediately.
• Fiscal Year-End Closing (FIN 105)
FIN 119: PUBLIC PURPOSE SERVED

• In order to fulfill ASU’s fiduciary requirements, Financial Services requires that the public purpose be clearly documented on each payment transaction (including travel documents).

• Each document processed must have public purpose documented, unless it is readily apparent by the nature of the item.

(Each financial transaction should be able to stand alone during an audit, or contain the correct references. Appropriate documentation is essential.)
FIN 401-02: PROVOST/VICE PRESIDENT/VICE PROVOST APPROVALS

Including:

• Holiday celebrations
• Live plant purchases
• Employee awards > $100
• Employee reimbursement > $1,000
• Warehouse club memberships
• Financial Services discretion

Any transaction requiring VP office approval should first have dean’s office/director approval.
FIN 420-04: AWARDS VS. GIFTS

- Gifts are prohibited.
- Awards are based on performance and/or objective criteria
- A public purpose is served in making the award
  - Nonmonetary
    - < $100 per person – No additional approval/reporting
    - > $100 per person – Needs VP approval, must be reported to Human Resources
  - Monetary/Cash Equivalents
    - > $25 - must be paid through Human Resources
    - > $1,000 – pre-award VP level approval
FIN 401-03: PROHIBITED TRANSACTIONS INCLUDE:

- Use of 12 or 15 Passenger Vans
- Alcoholic Beverages
- Bus and Light Rail Passes for Personal Use
- Direct Vendor Billings > $5,000 when PO is required
- Fines and Penalties
- Flowers, unless for official University event - limited
- Gifts, Contributions, Donations, Advances, or Loans
- Graduation Caps and Gowns
- Internet Reimbursements
- Legal Fees, unless approved by General Counsel’s Office
- Lost Key Charges

- Parking Decals for employees/students (multi-campus duty assignment exception for 2nd decal)
- Payments Benefiting External Organizations with no direct benefit to ASU
- Postage Stamps (must purchase through ASU Mail Services)
- Prepayments — form for exceptions
- Purchases from ASU Individuals
- Refunds to Donors
- Transfers of ASU revenues to off-campus bank accts or other organizations.
- University Club Dues
- Vendor Invoices > Two Fiscal Years
Prohibited Transactions on State Accounts

(may be allowable on local accounts)

- Awards, both students and faculty/staff.
- Bottled water.
- Student support payments (scholarships).
- Food/Meals for employees unless in travel status.
- Holiday celebrations.
- Interviewee expenses.
- Flowers. (In very limited circumstances flowers are allowed on local accounts. Must have Financial Services pre-approval before purchasing with University funds.)
- Moving expenses.
- Remodeling projects > $50,000.

Reference FIN 111: Charges to State Operating Agency/Orgs
Financial Information Sources

- Advantage Web Reports (updated nightly).
- Budget Position Control dashboard.
- Payroll Reconciliation Dashboards.
- MyReports.
- Data warehouse queries.
- Monthly Advantage Reports (available from Control D).
- Financial Services does periodic reporting that requires assistance from departments.
  - Cash basis deficits
  - ABOR updates (new)
  - Quarterly budgeted accounts status
  - Year-end audited financial reports
Colleges/Departments Policies & Procedures

- Can not conflict with higher level policies and procedures (State statutes, ABOR/ASU).
- Are more restrictive than university policy.
- At discretion of each college/department.
- Enforcement is at college/department level.
Closing Comments

• Don’t depend on someone else to ‘catch’ a questionable transaction.
  – Accounts Payable does not conduct a full ‘audit’ of each transaction.

• If you approve a document (on-line or hard copy) you are authorizing the payment.
  – If you don’t want to be associated with the transaction should it become ‘public’, then don’t approve the document.

• Exceptions to policy can be given if the facts warrant it. But exceptions must be in writing from someone authorized to do so.

• Financial Services must be given full facts in order to accurately answer a policy question.

• When in doubt, ask.

• Any questions?
Financial Services Contact Information

- Current Financial Services website
  (www.cfo.asu.edu/fs/)
- Accountant as shown on Advantage Reports
- Financial Services contact numbers –
  phone 480.965.3601
  fax 480.965.2683