# Fiscal Responsibility Policy
## (INTERIM)

**Number:** 06.04.14
**Division:** Accounting and Financial Reporting
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**Purpose**

Fiscal responsibility requires the establishment of internal controls that include organizational processes and procedures designed to verify the integrity, accuracy, and reliability of accounting data and other management information. Internal controls are the system of checks and balances that prevent or detect errors and irregularities; ensure compliance with University policies and procedures and state and federal laws and regulations; and safeguard University assets. Errors and irregularities include, but are not limited to, data entry errors, duplicate payments, and inappropriate, unallowable, unreasonable, or fraudulent transactions. Internal controls must be implemented on a University wide and organizational unit level.

Preventive controls include hiring competent administrative personnel and providing adequate training to develop expertise in University fiscal and administrative policies and procedures, and applicable state and federal laws and regulations along with establishing departmental business processes with appropriate levels of authority, responsibility, and segregation of duties. This ensures transactions are properly reviewed and authorized and that no one person has the ability to control financial transaction(s) from start to finish. The ability to have total control over transactions increases the risk of fraud, errors, and irregularities to occur and not be detected.

One of the most important internal controls to detect fraud, errors, and irregularities is the independent after-the-fact review or reconciliation of financial transactions. Human review and judgement are required, as no system can be designed to automatically detect all inappropriate, unallowable, or unreasonable transactions. In order to maintain the integrity of the University's financial information, managers (college/division financial directors, department heads, etc.) should conduct all business activities in their organizational unit in a manner consistent with effective internal controls, including establishing appropriate segregation of duties. This policy outlines procedures managers should establish and ensure are properly executed to monitor and review revenues and expenditures recorded in the funds (accounts) assigned to their organizational unit on an ongoing basis.

**Policy**

Departments shall perform monthly reconciliations and reviews of financial transactions, including revenues and expenditures (including payroll) recorded in the funds assigned to their organizational unit. The monthly reviews and reconciliation should cover the activity recorded in the funds during the prior month.

Managers should establish departmental procedures to ensure that monthly reports received or derived from the Banner Finance System ("Banner") reflect the following:

- All expenditure items are complete and accurate and include only transactions properly authorized and approved for payment by the financial director, department head, manager (or other authorized approvers for such funds),
- All expenditures are allowable, allocable, and reasonable and comply with applicable federal and state laws and regulations, University policies and procedures (see Expenditure Guidelines ), and the specific requirements of grantors, and
- All revenues collected (if applicable) for the organization have been properly secured, deposited into the appropriate University bank account in accordance with the Revenue Generating Policy, and appropriately recorded in Banner.

If the review or reconciliation process detects an omission of appropriate transactions or charging and recording of any inappropriate transactions, managers must ensure corrections are made within sixty (60) days of the original posting date in Banner. Therefore, managers are strongly urged to complete their reviews as soon after the close of each month as possible.

The manager can delegate all or a portion of this monthly review to other qualified personnel; however, the manager is ultimately responsible for the performance of the monthly reviews for all funds assigned to their department or organization. The manager must ensure that the reconciliation and reviews are conducted with appropriate segregation of duties which requires at least two personnel–a preparer and a reviewer. The reviewer must be someone other than the person who initiated or processed the expenditures or revenue transactions. Monthly reviews and reconciliations must be documented by the preparer(s) and the reviewer of financial activities. Documentation of the completion and review of financial transactions must be maintained for 5 years. Management should be vigilant to identify repetitive errors as these may indicate problems with departmental business processes or identify additional training needs for administrative staff.

In addition, managers should be cognizant of the risks and exposures inherent in their area of responsibility, be familiar with the types of improprieties that might occur within their area of responsibility, and be alert for any indication of irregularity. An essential component of the reviewer's role is to identify errors, anomalies, potential compliance issues, and significant budget variances. Additionally, reviewers should perform their work with a questioning mind and be alert to the possibility of detecting errors or inappropriate transactions.
If during the monthly review, irregular or suspected fraudulent transactions are detected managers should notify their supervisor or notify the UAH Ethics Hotline as appropriate.

Failure to comply with the Fiscal Responsibility Policy may result in disciplinary action per UAH's faculty and/or staff handbook's discipline procedures.

**Definitions**

- Managers include but are not limited to vice presidents, deans, department heads, department chairs, directors, or similarly titled administrative managers of every University organizational unit.
- Preparer is the individual who performs the reconciliation and prepares documentation for review and approval.
- Preventive controls are internal controls designed to discourage or pre-empt errors or irregularities from occurring.
- Reconciliation is the systematic process to examine or reexamine financial activity recorded in Banner to verify that charges and credits are accurate, complete, and appropriate. This process usually compares transactions to source documentation to verify accuracy of postings. Discrepancies, including charges or credits posted incorrectly or pending transactions that did not post as expected, must be documented. Documentation must include the time frame for expected resolution. As appropriate, charges and credits on the fund must be supported by documentation filed in the department or filed centrally or maintained electronically in central administrative systems.
- Reviewer is the Department Head or Business Manager who has the knowledge to review and approve the reconciliation performed by the preparer and verify the adequacy and reasonableness of the charges and credits posted to the fund.
- Segregation of duties is an essential internal control that prevents or detects errors and irregularities by separating the responsibilities for initiating, processing, and recording of financial transactions and custody of related asset between two or more competent and qualified individuals. Effective segregation of duties provides reasonable assurance that transactions are processed according to University policies and procedures.

**Scope**

This policy applies to all University of Alabama in Huntsville employees with fiscal responsibility of any kind.

**Review:**

Accounting and Financial Reporting is responsible for the review of this policy every five years (or whenever circumstances require).