Policy

Department of Finance      Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re:  Accounting

Policy

The Finance Department is responsible for the administration of an effective accounting system. The Finance Department is responsible for the development and administration of the University account structure, accounting procedures, and external financial reporting. Financial data shall be complete, accurate, and appropriate. Financial reports shall be in accordance with accounting principles generally accepted in the United States.
Standard

Finance: Accounting       Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re: General Accounting Principles

Standard

The University conforms to accounting principles generally accepted in the United States of America.

The University records transactions on its books in accordance with the general principles of accounting for educational institutions set forth in "College and University Business Administration." These principles, established by a special committee of the American Council on Education, are followed by most universities in the Country. Fund accounting is the procedure by which resources for various purposes are categorized for accounting and reporting in accordance with the activities or objectives as stipulated by donors, in accordance with regulations or restrictions imposed by external sponsors, or in accordance with legislative or governing board directives. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, a fund balance, and changes in fund balance. The fund groups commonly encountered in an educational institution are as follows:

- Current funds (unrestricted and restricted)
- Loan funds
- Endowment and similar funds
- Plant funds
- Agency funds

Under fund accounting for colleges and universities, there are three basic types of financial statements – statement of financial position, statement of activities, and a cash flow statement.

The statement of financial position provides relevant information about an organization’s assets, liabilities, and net assets at a moment in time. It also provides information about liquidity and financial flexibility.

The statement of activities provides relevant information about the effects of transactions and other events that change the amount and nature of net assets. It also shows how the organization’s resources are used in providing various programs or services.

The cash flow statement provides relevant information about the cash receipts and disbursements of an organization during a period.
Re: Accounting and Financial Reporting

Standard

The Department of Finance maintains the official record of financial transactions for the University in the integrated computer accounting system. The objective of the university’s accounting system is to provide complete, accurate, and timely financial accounting and reporting essential to the management of the institution. The University’s financial reports are used internally by the University's staff and managers. The vast reporting requirements and needs of each of these groups’ demand the presentation of the same information in a variety of formats.

Information can be accessed at any time. Reports are current through postings of information. Receipts, disbursements, invoices, purchases, and other fiscal activities are transacted and posted daily. There are monthly closings that capture information related to indirect costs, fringe benefits, recharges and other periodic activity.

Monthly reports are available to budget managers. Monthly reports are provided to senior management and to the Board of Trustees (BOT).

Fiscal reports are provided quarterly, and at other times, as requested.

Annual audit reports are provided to senior management and to the BOT.
Re: Account Structure

Standard

Generally, each account assigned to the integrated computer accounting system is made up of an 8 digit number that begins with a letter.

See attached sheets.

Object codes are 4 numerical digits.
Re: Signature Authority

This section establishes the guidelines for institutional signature authority and for the delegation of authority to approve departmental or program transactions. These policies apply to all University employees who are authorized to approve transactions that have fiscal implications.

1. Authority to contractually obligate the University to either accept or provide material or services, to prepare and accept Office of Sponsored Programs to/from funding agencies, or otherwise execute contracts of any kind for the University is restricted to the executive officers or designees.

2. Executive officers may delegate authority to heads of programs or departments to approve departmental or project transactions. Authority may be delegated to departmental representatives.

3. The signature of an authorized department representative is necessary on requisitions, check request, personnel action forms, and timecards before the requested transaction may be processed.

4. With appropriate executive officer approval, chairpersons, principal investigators, project directors, and heads of administrative units are authorized to approve transactions affecting their department or units. Authority may be delegated to other appropriate persons within the department. A signature authorization form must be completed and filed.

5. Authorized signers who are requesting any type of financial transaction for themselves must obtain the signature of their direct supervisor or appropriate administrator.

The intent of the signature authorizations is to protect the University and external funding sources from inappropriate expenditures. Expenditures will normally have at least two authorizations, and oftentimes, more. A signature of authority with first hand knowledge will request the payment. A second signature with some knowledge that the expenditure is reasonable and appropriate for the situation affirms the request. For those requests that are supported by an administrative unit, such as information systems, facilities, photocopy, telecommunications, personnel actions, and other, the appropriate administrative unit must approve the expenditure. Human Resource approves all personnel actions. Purchasing approves purchases through the purchase order system. Independent contractors are approved through consulting procedures. Conflict of interest forms are processed. Finance approves the request with verification that funds are available.
Re: **Documentation Requirements**

**Standard**

This section specifies the records and reports which as a minimum must be prepared and retained to substantiate payroll, service, supply, equipment, and other costs charged to University expenditure accounts. These substantiating documents must be retained and be made available for review by internal, external, and governmental auditors.

The following properly approved documents and certifications evolve from the procedures used to charge payroll, supply, equipment, and other costs or expenditures chargeable against University budgets.

1. **Salary and Wage Cost**

   The original of the following documents, affecting individual gross wages and payroll distribution and disbursement reports, must be retained by Human Resources (HR):

   A. Personnel action forms reflecting approved employment status or separation from University service.
   B. Payroll time reporting documents from which gross pay is determined.
   C. Paid check or electronic copy of the same and/or corresponding bank generated Input detail List.

   Records supporting the information and approvals on the above documents that must be maintained by campus departments such as Payroll, HR, or the work department:

   A. For employees eligible to accrue certain leaves, records separately identifying sick, vacation, and other types of leave accruals and utilizations, and showing the balance on each leave.
   B. For absences, an approved copy of the document authorizing the absence is required, or an approved timecard.

2. **Non-Payroll Disbursements**

   Documents and certifications must be retained in the Finance according to the nature of the transaction. Documents or agreements bearing other information extraneous to the disbursement process may be retained in other appropriate offices, such as legal. Specifically, unless stated otherwise, the following documentation and certifications must be retained in the Finance Department:

05-05-01
A. Consultant agreements
   • A copy of the fully executed consulting agreement
   • Consultant’s invoice
   • Certification of receipt of services

B. Purchase of goods and services by purchase order or other contract
   • A copy of the purchase order
   • The invoice
   • Evidence of receipt of goods or services either in the form of a departmental approval or receipt certification upon the invoice or in the form of a receiving report

C. Purchase of goods and services by specific vendor
   • A copy of the specific vendor agreement
   • The invoice
   • Evidence of receipt of goods or services either in the form of a departmental receipt certification upon the invoice or in the form of a receiving report

D. Direct charges
   • Certain goods and services may be obtained independently of the procurement purchase order function. Expenditures incurred for goods and services obtained in this manner are usually referred to as direct charges and include, but are not limited to, travel, utilities, physician professional fee payments, and honoraria. Guidelines for documentation for direct charges are as follows:
     • For a payment made on a Check Request Form the supporting document may be in the form of an original invoice or receipts
     • In all events, the documentation should be sufficient to safeguard against improper or inappropriate expenditures of University controlled funds.

E. Student Financial Disbursements
   • Financial Aid roster or related document with supporting documentation

F. Check copies
   • Records, documentation or electronic, shall be maintained in support of payments made.
3. Transfers of Expense

Transfers of expense between University budgets occur when goods or services originally posted to one account and are subsequently transferred to another account. These transfers are appropriate for situations such as:
- To correct or adjust erroneous recordings
- To record a change in the decision made originally as to the use of goods or services
- To redistribute certain charges such as duplicating and telephone

Transfers of expense are journal transactions that credit the account that originally was charged for the goods or services and debit the account to which the expense was transferred. Substantiation for these transactions includes the financial journal, the non-payroll expenditure adjustment request form, the payroll expenditure transfer form, or other form, including supporting documentation, such as time sheets and PAF, which provides detail on the individual items of expense being transferred and the reason for the transfer.

4. Cash Receipts

Cash is received by various university departments. These offices are responsible for ensuring that all receipts are forwarded to Finance for deposit. Support documents for these transactions include:
- Cash receipt forms
- University's Bank Deposit Receipt
- Transmittal Communication

5. Accounts Receivable

Accounts receivable are recorded in the University's accounts through a variety of billing operations, registration, student loans, federal contracts, and state appropriations. Support documents for these transactions include:
- General Ledger
- Invoices
- Copies of bills or listing showing the detail for the receivable
- Promissory notes

6. Budget Transactions

The following forms are used to record budgetary transactions and serve as the official documentation for those transactions:
- Budget Modification Form
- Budget Schedules

5-05-03
Standard

Finance: General Accounting
Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re: New Accounts

Standard

Finance shall be responsible for the development and administration of the University chart of accounts. All additions, deletions, or changes to accounts, their names, or their numbers shall be approved by Finance.

Background

The Controller is authorized to establish, change, or delete ledger accounts, subsidiary ledger accounts, or other University accounts in the administration of the University financial system. The Controller may delegate authority to approve account changes to senior staff.

Changes, including additions and deletions, to gift accounts are coordinated and processed through Advancement. Changes to accounts for sponsored projects, including additions and deletions, are coordinated and processed through the Office of Sponsored Programs (OSP).

Procedure

1. Account requests for sponsored projects must be approved and recorded by OSP. The OSP issues Internal Notices of Awards. New accounts are approved by the Controller and assigned within the appropriate classifications. Finance assigns the account to an account manager, and notifies OSP and appropriate personnel.

2. Account requests for gift or similar funds must be approved and recorded by Advancement. Advancement completes the account request form and submits the request to Finance, with appropriate supporting documentation. New accounts are set-up by the Controller or designee and assigned within the appropriate classifications. Finance assigns the account to an account manager and notifies Advancement and other appropriate personnel.

3. Requests for other accounts must be approved by the Controller. All requests are made through the appropriate account request form(s). Supporting documentation must accompany the request form.
**Responsibilities**

1. Finance is responsible for the University chart of accounts.
2. OSP approve all sponsored project accounts.
3. Advancement approves all gift and related accounts.
4. All authorized account administrators are responsible for avoiding potential conflicts of interest.
5. All requests must be approved by a senior administrator.

**References**

Office of Sponsored Programs
Advancement
Re: Fund Accounts

Standard

Finance shall ensure that all transactions, restricted and unrestricted, meet governmental, University, and other requirements. Transactions will comply with generally accepted accounting principals. Transactions will comply with any contract or funding requirements.

Background

There are many rules and regulations that apply to many of the University’s funds. Each fund is unique. Each funding source may have specific requirements that apply to their programs. The system of accounting and account controls protects both the external agencies and the University.

Procedure

1. Finance will periodically review each cost center to ensure that all transactions are appropriate and comply with applicable regulations.
2. Noteworthy transactions are reviewed and resolved, if necessary, by the Controller, or designee.
3. Annually, the Chief Financial Officer reviews the accounting with the University Auditor. Any adjustments necessary are resolved with the Controller.
4. Sponsored project accounts are reviewed with Office of Sponsored Programs or Research Administration, periodically, to determine if adjustments are appropriate.

Responsibilities

Finance is responsible for the appropriate accounting of transactions.

References

Office of Sponsored Programs
Internal Controls

05-07-01
Re: Bank Reconciliation

Standard

Finance shall reconcile all general ledgers for each bank account, cash, investment, and other funds asset accounts in a timely manner, in order to safeguard the assets of the University.

Background

The University operates a number of bank accounts at multiple institutions. The accounts may be checking, savings, investment, or other similar deposit accounts. Accounts with regular activity, such as the primary operating checking account, should be reconciled monthly. Savings accounts with minimal activity should be reconciled as necessary, based on the transactions and institutional reporting practices. The Controller shall determine the timing of the reconciliations.

Procedure

1. The Controller or designee shall oversee the process and review the reconciliations, as appropriate.
2. Finance staff shall receive and file all banking statements.
3. Staff will match paid items against items issued and generate a list of outstanding items.
4. Deposits, transfers, and other transactions are verified. Non-matching items are researched and resolved.
5. The bank reconciliation is performed and approved by management.
6. Outstanding items older than 90 days are reviewed by management and appropriate actions are taken.
7. The reconciliation documents are maintained.

Responsibilities

1. Finance shall perform reconciliations on a timely basis.
2. Controller shall determine reconciliation frequency and timing.

References
Standard

Finance: Accounting       Effective Date: August 13, 2010
                     Previous Date: May 1, 2002

Re:  Recharges

Standard

Finance, in coordination with appropriate research, administrative and other units, shall develop and
maintain appropriate recharge systems that assess charges to departments and programs for central
and support services as appropriate. The recharges shall be reasonable and appropriate based on
predetermined formulas approved by Finance.

Background

The University oversees a number of departments and programs, each with distinct budgets.
Services that are more effectively and efficiently provided through central service departments are
managed by Administration. Charges are then allocated at the end of the month, or accounting
period, to the users of those service departments. Examples of service units may include
telecommunications, reprographics, mail, vivarium, information services, and audit. The expenses
are processed through the service department. Accounting entries record the assessments.

Procedure

1. The administrative units manage the central services. The service units pay for the costs of
   providing services.
2. The service units account for the activity by department or program.
3. The service units prepare a charge worksheet.
4. The consuming units are notified of their charges and reviewed by the appropriate personnel.
5. The worksheets are approved by Finance and posted to the accounts.
6. Journal entries record the allocation of expense to the using departments. An offset credit is
   posted to the service unit.
7. Documentation is maintained by the service units.
8. The service units determine the assessment formulas. The assessment methodology is approved
   by Administration, Research, and Finance as appropriate.
9. Supporting documentation is provided to Finance for review.
10. Recharges are intended to cover all departmental costs including personnel, direct costs,
    overhead, and supplies, where applicable.

05-09-01
Responsibilities

1. The administrative unit directors are responsible for the data collection, formulization of recharge methodology, and recharge worksheet.
2. Finance approves the monthly recharge.
3. Research reviews recharge systems and activities related to sponsored programs.
4. The administrative units manage their operations. The administrative unit is responsible for controlling costs and billing services appropriately.
5. Administration is responsible for all administrative units.

References
Re: Recharges

Supplemental Guidelines

The service department is responsible for ensuring that all supporting documentation for recharge transactions are accurate and complete before being submitted for processing to the general ledger. The following should accompany all service recharge transactions:

Telecommunications - An itemized monthly listing of telephone tolls and telephone equipment must accompany these transactions. If new service is requested, a request form signed by the program director must be attached.

Duplication Services - Each transaction should be supported a listing indicating the location of the copier and a calculation of how expense has been derived.

Information System Products and Services - A request for service form signed by the program director must be attached.

Reprographics - A service request form signed by the program director must accompany all transactions.

Postage - Since this expense is derived by the amount of mail that is sent, the report from the postage system should be used as support documentation.

Vivarium - Vivarium fees should be supported by a request approved by the program director.

Audit Fees - An itemized accounting of audit fees must be approved by the program director before being processed by the Office of Finance.

Insurance premiums are negotiated by the Offices of the University Auditor and Risk Management. Copies of all premiums are submitted to the Office of Finance.

The following should support all insurance recharges, if applicable:

A. Automobile - Support documentation should include a list of vehicles by location.

05-09-03
B. **Contract Performance Bond**

General Liability - This insurance may relate to significant, stand alone, or supplemental insurance programs. Supporting documentation should include evidence of risk, specific insurance requirements, locations, and other.

Property - Support documentation should include buildings addresses and occupancy of each building, details of real property, furniture, fixture, or equipment.

Educators Legal Liability – Program description, insurance requirements, purpose, and other.

Excess Liability - This policy extends the limits of the general liability and auto policies.

Fidelity Bond - Coverage is for employee dishonesty. Support should include a copy of the policy.

Flood Insurance – If applicable, purpose, properties, business interruption, etc.

Workers’ Compensation - Paid as a part of employee benefits pool, based on actual salaries.

05-09-04
Re: Sales Tax

Standard

Finance, in compliance with local and state regulations, will be responsible for the assessment, collection, reporting, and remittance of applicable sales taxes.

Background

Sales intended for ultimate consumption are generally subject to state and local sales taxes. Included are food products, supplies, goods, textbooks, logo items, etc. Retail sale items must be controlled. Finance must approve all sales activities before any department or program may engage in such activity. Finance will oversee the sales process.

Procedure

1. Programs and departments intending to sell must submit sales plans to Finance and receive approval before engaging in sales activities.
2. Finance will determine the appropriate systems and reports and oversee the sales activities to ensure quality control over the process.
3. Finance will receive proceeds, review reports prepared by the sponsoring department or program, and account for the taxes.
4. Finance will prepare and submit tax reports as required.

Responsibilities

1. Finance will approve all sales activities.
2. The department or program will be responsible for performing the tasks as approved by Finance.
3. The principal investigator, or appropriate administrator, will be responsible for the sales activities.
4. Finance will report and remit taxes to the State Board of Equalization.

References

Finance Department
Administration
Franchise Tax Board
State Board of Equalization
Standard

Finance: Accounting
Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re: Legal Costs

Standard

The University will maintain an effective system for handling legal affairs. The system shall result in appropriate legal services, both quality and in breadth of counsel, protective and otherwise, and at a reasonable cost.

Background

The University must manage access to outside counsel in order to reasonably control legal costs. Centralized oversight of legal affairs will facilitate the efficient utilization of outside counsel. All contact with outside counsel must be approved by senior leadership. The University utilizes multiple attorneys, and will continue to do so because of the complexity of specialization in legal affairs. Senior leadership includes the Board of Trustees (BOT), President, and designated senior administrators.

Procedure

1. All contact with outside counsel is to be approved in advance by the appropriate administrator.
2. Risk Management reviews legal activities monthly and the University Internal Auditor and the Audit and Compliance Committee reviews legal costs quarterly.
3. All internal resources are utilized first in order to minimize the instances of contact with outside counsel.
4. Legal costs are reviewed with the BOT quarterly.

Responsibilities

1. Risk Management approves all legal bills.
2. Administration reviews legal activities quarterly, and provides status reports to the President and BOT periodically.
3. The Finance Committee of the Board reviews legal costs periodically.
4. The President, or designee, is responsible for managing legal costs and overseeing legal activities.

References

Administration
Board of Trustees
Office of the President
University Internal Auditor
Risk Manager

05-11-01
Re: **Indirect Cost Rates**

**Standard**

The University shall develop and maintain an appropriate system for the determination of indirect cost rates.

**Background**

Indirect costs, also referred to as facilities and administrative costs. These costs are not readily identifiable with a particular activity, but are necessary to the general operation of the institution. They include a share of operations, maintenance, college, administration, library, and other general expenses supporting sponsored projects.

All programs are expected to pay their full share of costs, both direct and indirect. The Department of Health and Human Services (DHHS) provides for applications and negotiations of rates that become a part of all federally funded programs.

Indirect costs are collected by the University to support the general activities of the institution. All externally funded programs are subject to indirect costs. Rate for non-federal programs are determined and negotiated by the Principal Investigators, Office of Sponsored Programs (OSP), and Finance, as appropriate.

Indirect costs are budgeted as general unrestricted revenues to the University. Exceptions must be approved by OSP and Finance.

**Procedure**

1. Finance shall report rates for each activity group.
2. Office of Sponsored Programs or Research Administration shall review and approve all agreements to ensure that the proper indirect cost rates are budgeted.
Responsibilities

1. Finance shall apply for and negotiate indirect cost rates with the Division of Cost Allocation, DHHS.
2. Finance shall report all indirect cost rates that are applied to programs, grants, agreements, and other funded activities.
3. Office of Sponsored Programs and Finance must approve all exceptions to standard University rates.
4. Office of Sponsored Programs approves all sponsored project agreements.

References

Office of Sponsored Programs or Research Administration
Department of Health and Human Services
Re: Fringe Benefits

Standard

Finance shall develop and administer an appropriate system for the allocation of fringe benefit costs to programs and departments.

Background

The University allocates fringe benefit costs by formula. The formula approach is applied as a percentage of salaries and wages. This approach assesses averages of actual costs, and is widely used by the vast majority of institutions. The fringe benefit rate is reviewed annually. The University fringe benefit rate is approved by the US Department of Health and Human Services (DHHS). The rate is incorporated into the budgets of federally funded programs. The rate approach to fringe benefits is much more efficient to administer, both in budgets and in accounting.

Procedure

1. The Controller shall oversee the accounting and allocation of fringe benefit costs to programs and departments.
2. The Controller shall update the rates as necessary, to reflect changes in the actual costs and assessments.
3. Rates shall be submitted to the appropriate authorities, such as the DHHS, for approval.
4. Finance shall inform the community of the current and future rates.
5. Office of Sponsored Programs shall review rates, applied to all sponsored programs.

Responsibilities

1. Finance shall develop and administer fringe benefit cost allocations.
2. Human Resources shall administer fringe benefits.
3. Principal Investigators and managers shall budget cost percentages.

References
Standard

Finance: General Accounting

Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re: University of California Agreements

Standard

The University shall develop and maintain an appropriate system for the receiving, disbursement, and accounting of University of California Agreement (UC) funds.

Background

The University has entered into two institutional agreements with the University of California. The first agreement is to provide undergraduate medical education to students. The second program involves education and public service. The program was established in 1973 and funded by Senate Bill No. 1026. The bill was introduced into legislation by Senator Mervyn Dymally and approved by Governor Ronald Reagan. The funds are appropriated to the University of California at Los Angeles for the support of these programs at the University.

Procedure

1. Finance shall oversee the receipts, budgeting, disbursements, and accounting of UC funds.
2. Finance shall coordinate the annual audit of expenditures.
3. Colleges and schools, through the Deans, shall manage and report budgets and expenses of UC funds.

Responsibilities

1. The President is responsible for the performance of the programs.
2. The President delegates the education, research, clinical, and public service responsibilities to the Deans.
3.

References

Office of the President
College of Medicine
College of Science and Health
School of Nursing