

UC Davis Policy and Procedure Manual

Chapter 330 Financial Management and Services

Section 11, Departmental Financial Administrative Controls and Separation of Duties

Date: 10/7/15

Supersedes: 9/10/09

Responsible Department: Accounting and Financial Services

Source Document: Accounting Manual

I. Purpose

This section describes departmental responsibilities for administrative control procedures to safeguard University assets, assure the validity of financial transactions in departmental accounts, and assure adherence to prescribed policies and procedures.

II. Definition

- A. Approval—indicates that the transaction is acceptable and complies with relevant University policies and procedures, laws, external regulations, and terms and conditions of agreements.
- B. Acknowledgment routing--an option in the financial information system, which is not equivalent to an approval.

III. Policy

- A. Departmental financial administrative duties must be separated so that one person's work routinely serves as a complementary check on another's work, and no one person has complete control of a financial transaction.
- B. The standards for separation of duties must be implemented to the maximum degree practicable.
 - 1. When separation is considered impracticable for non-payroll activities (i.e., due to limited departmental staff), the variance from the standard must be documented in writing and approved by the Associate Vice Chancellor—Finance/Controller.
 - 2. No exception is permitted for Payroll Personnel System (PPS) and payroll time reporting activities.
- C. All users of campus systems are accountable for transactions processed under their user IDs. The sharing of passwords and user accounts is strictly prohibited.

IV. Roles and Responsibilities

Duties are separated by roles defined in central administrative systems. The roles defined in each system are as follows:

- A. Quali Financial System (KFS)
 - 1. Initiator
 - a. Initiates or creates a financial transaction, where the submission is recorded as approval by the initiator.
 - b. Must have personal knowledge regarding the appropriateness and compliance of the transaction, or they must have documentation that the person requesting the transaction has verified appropriateness and compliance.
 - 2. Fiscal Officer
 - a. Approves documents or ensures that corrective actions are taken on disapproved documents.
 - 3. Account Delegate

- a. Delegated by the fiscal officer to approve transactions on their behalf.
- b. Must have sufficient knowledge to approve the transaction.
- 4. General Ledger Reviewer
 - a. Performs monthly review of the general ledger in FIS Decision Support (FIS DS), and certifies the validity of the charges and credits.
 - b. Must ensure that appropriate corrective actions are taken to correct invalid entries in the general ledger.
- B. Payroll Personnel System (PPS) and Payroll Time Keeping Activities
 - 1. Primary Preparer (PPS)
 - a. Initiates a PPS transaction after verifying proper authorizations were received and ensures compliance with all relevant policies and regulations.
 - 2. Initiator or Primary Preparer (Time Keeping)
 - a. Enters time worked for all employees for whom they have time keeping responsibility.
 - b. For systems without automated workflow approvals, preparers must ensure that an employee's supervisor has confirmed the validity of the time or leave reported.
 - c. This role may be filled by the Employee in online time keeping systems with automated routing for approvals.
 - 3. Employee (Time Keeping)
 - a. Non-Exempt employees are responsible for promptly and accurately reporting hours worked and/or leave hours taken in the designated time keeping system within the published time keeping deadlines.
 - b. Exempt employees must report leave usage promptly and accurately or must certify that none was taken, within the published time keeping deadline.
 - 4. Mandatory Reviewer (PPS)
 - a. Reviews Web-based Post Authorization Notifications (WebPAN) within one or two business days of receipt to ensure that transactions are accurate, properly authorized and have appropriate supporting documentation.
 - b. For Payroll Transaction (OPTRS) users, ensures all entered transactions are made prior to the closing of the time reporting window.
 - 5. Employee Supervisor (Time Keeping)
 - a. Verifies that all employees required to report hours worked and/or certify leave usage, have done so within the published time keeping deadlines.
 - b. Ensures time reported and/or adjustment transactions processed are accurate and properly authorized based on any supporting documentation and indicates approval via workflow prior to the close of the time reporting window.
 - 6. Back-up Preparer or Reviewer (PPS and OPTRS)
 - a. Completes the duties of the primary preparer role or mandatory reviewer role as needed.
 - 1) While one individual may perform both of these roles, that person may not

perform both roles for the same set of transactions. Each transaction requires review by someone other than the preparer.

7. Departmental Time Administrator (DTA in TRS)
 - a. Ensures electronically approved time and attendance transactions are submitted to the payroll database for payment via workflow routing.
 - b. Ensures that corrective actions are taken on any resulting errors.
 - 1) PAN notifications of DTA corrections route to Mandatory Reviewers for secondary approval.
 - 2) DTA and Mandatory Reviewer roles may not be held by the same person.
- C. Separation of financial administrative duties
 1. Nonpayroll disbursements
 - a. The last person approving a transaction that results in a non-payroll disbursement must be someone other than the person initiating the transaction.
 2. Cash receipts
 - a. The person collecting cash, issuing cash receipts, and preparing the FIS Cash Receipts document must be someone other than the person performing the required monthly ledger and the person maintaining accounts receivable records.
 3. Payroll
 - a. Personnel actions and PANs must not be initiated, reviewed, or approved by:
 - 1) The person who distributes payroll checks, or
 - 2) Any person whose own pay or personnel records are affected.
 - b. Employees will certify their own time and attendance records. Supervisors will approve employee time and attendance records confirming that the hours reported are accurate.
 - c. Departments will maintain time and attendance records appropriate to the type of appointment (i.e., academic, exempt or non-exempt) in sufficient detail to demonstrate compliance with the Academic Personnel Manual, UCD Personnel Policies for Staff Members, or collective bargaining agreements.
 - d. Individual attendance and time reporting records must not be returned to the employee after supervisory approval.
 - e. Each department is to designate a mandatory reviewer for PPS WebPANs and online OPTRS rosters.
 - 1) Since review of transactions occurs after the fact, the WebPANs must be reviewed within 2 working days.
 - 2) OPTRS rosters must be reviewed before the closing of the time reporting window. Other time keeping system must use workflow to accomplish the same.
 - f. Separate individuals will be assigned the roles of primary preparer and mandatory reviewer.
 - 1) Mandatory reviewer must not be the individual who performs the monthly

reviews.

- 2) A Fiscal Officer cannot be a primary preparer or mandatory reviewer on any of their assigned accounts.
4. Independent consultant services
 - a. The departmental reviewer responsible for making the actual physical comparison between the terms of an independent consultant agreement and the evidence that the terms of the agreement have been completed satisfactorily must be someone other than the individual who approves the final payment of the invoices required under the agreement.
 - b. Any differences that may be disclosed by the comparison of the agreement terms and the final product should be investigated independently by the reviewer to determine the specific causes of the differences before final payment is approved.
 - 1) These differences must not be investigated by either the individual to whom the consultant has reported or the departmental official who approves the payment (see [Section 380-70](#)).
5. Physical inventory of equipment
 - a. The person completing the required biennial (once every 2 years) physical inventory of departmental inventorial equipment and certifying completion of the review must be someone other than the individual's assigned operational custodial responsibility for individual pieces of equipment. See [Section 350-55](#) for related standards.
6. Physical inventory of supplies
 - a. The person completing the required annual physical inventory of a major supply inventory exceeding \$50,000 in value must be someone other than the person responsible for maintaining the perpetual inventory records. See [Section 350-60](#) for related standards.
7. Physical receipt of purchased items
 - a. The person physically receiving and verifying purchased items must be someone other than the person who placed or approved the order.

V. Procedures

A. Departmental Ledger Review

Departments must review their general ledgers and payroll ledgers monthly to certify the validity of charges and credits to their accounts. They must also ensure appropriate corrective actions are taken to correct invalid entries in the ledgers. The General Ledger is the Transaction Listing (FIS 2) report and the payroll ledger is the Payroll Expense Distribution (FIS 339) report in [Decision Support](#).

1. All units, except those under Chart H (UCDMC), must review their ledgers using the method prescribed by Accounting & Financial Services. For instructions and training, see the [General Ledger Review](#).
2. UCDMC units under Chart H will review the ledgers according to [Hospital PPM 1817](#).

B. Equipment and supply inventories

1. Equipment Register

- a. Biennially, physical inventory counts must be compared with the Equipment Register available through FIS Decision Support (FIS170). Differences must be reported to the Equipment Management Department by initiation of the appropriate University equipment tracking system document(s) and corrections made on the Equipment Register (see [Section 350-55](#)).
 - b. Completion of the biennial physical inventory is documented by submission of the approved UCD or UCDCM [Equipment Certification Form](#). Supporting documentation to demonstrate a full physical inventory was performed must be retained in the department for audit purposes for two years (until superseded).
2. Supply inventories
- a. Departments maintaining major supply inventories for resale or for recharge within the University that exceed \$50,000 in value must maintain appropriate records to facilitate effective administrative control of the quantities and values of stock on hand and verify inventory counts of supply items annually on or as close to June 30 as possible.
 - b. Stock adjustments are made when the discrepancies exceed \$250 per supply item and are supported by written explanations of the adjustments. (See [Section 350-60](#)).
 - c. Departments will receive a Sample Inventory Representation Letter from Accounting and Financial Services annually.
 - d. Completion of the annual physical inventory and reconciliation is documented by completion of the letter and its return to Accounting and Financial Services.

VI. Further Information

Additional information is available from A&FS--Controls and Accountability, (http://afs.ucdavis.edu/our_services/controls-e-accountability/index.html).

VII. References and Related Policies

- A. UC Accounting Manual (<http://www.ucop.edu/ucophome/policies/acctman/>):
 1. Chapter C-173, Cash: Cash Controls.
 2. Chapter D-224-17, Delegation of Authority--Signature Authorization.
- B. UC Business and Finance Bulletins (<http://www.ucop.edu/ucophome/policies/bfb/>):
 1. BUS-29, Management and Control of University Equipment.
 2. BUS-49, Policy for Handling Cash and Cash Equivalents.
 3. BUS-54, Operating Guidelines for University Supply Inventories.
 4. IA-101, Internal Control Standards: Departmental Payrolls.
- C. Policy and Procedure Manual (<http://manuals.ucdavis.edu/PPM/about.htm>):
 1. Section 330-10, Approval Authorization.
 2. Section 330-55, Departmental Cashiering Operations.
 3. Section 350-55, Care and Control of Equipment.
 4. Section 350-60, Management of Supply Inventories.
 5. Section 380-70, Consultant Agreements.

- D. A&FS Training Information (<http://afs.ucdavis.edu/index.html>).
- E. Payroll/Personnel System (<http://afs.ucdavis.edu/systems/pps/index.html>).
- F. PPS Online Payroll Time Reporting System (OPTRS)
(http://afs.ucdavis.edu/our_services/payroll-services/optrs/index.html).