

UC Davis Policy and Procedure Manual

Chapter 330 Financial Management and Services

Section 11, Departmental Financial Administrative Controls and Separation of Duties

Date: 9/10/09

Supersedes: 10/20/06

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. These procedures include the separation of financial administrative duties; departmental review of accounting reports and post-authorization notifications available through the UC Davis Financial Information System (DaFIS), Payroll/Personnel System (PPS), Online Payroll Time Reporting System (OPTRS) and UCDMC Financial Services; and completion of annual physical inventories. See the DaFIS, PPS and OPTRS manuals for a detailed description of the relevant processes.

II. Policy

Departmental financial administrative duties shall 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.

- A. The following standards for separation of duties shall be implemented to the maximum degree practicable.
- B. When separation is considered impracticable for nonpayroll 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.
- C. No exception is permitted for PPS and OPTRS activities.

III. Roles and Responsibilities

Duties are separated by roles defined in central administrative systems (e.g., DaFIS, PPS and OPTRS). All users of campus systems are accountable for transactions processed under their user IDs. The sharing of passwords and user accounts is strictly prohibited. The roles defined in each system are as follows:

- A. Davis Financial Information System (DaFIS)
 - 1. Document Initiator—Prepares transactions accurately and appropriately, in compliance with applicable University policies and procedures, external regulations, and terms and conditions of agreements.
 - 2. Account Manager/Approver—Reviews documents for compliance with University policies and procedures, external regulations, and terms and conditions of agreements, then approves or disapproves them. Account managers must ensure that corrective actions are taken on disapproved documents.
 - 3. General Ledger Reviewer—Performs the monthly review of the general ledger in DaFIS Decision Support, and certifies the validity of the charges and credits. Reviewers must ensure that appropriate corrective actions are taken to correct invalid entries in the ledger.
- B. Payroll Personnel System (PPS) and Online Payroll Time Reporting System (OPTRS)

The following six roles are identified for each department through the maintenance of the

Payroll Personnel System (PPS) Organizational Structure Form and the OPTRS Post Authorization Notice Setup Request Form which are submitted to Payroll. Copies must be kept on file in the department.

1. Primary Preparer (PPS)—initiates a PPS transaction after receiving and verifying proper authorizations and ensuring compliance with all relevant policies and regulations. Primary preparers have the authority and are expected to refuse to enter a transaction until all relevant documentation is present and authorizations are received.
2. Primary Preparer (OPTRS)—enters summarized time in PPS for all employees for whom they have timekeeping responsibility. Each pay cycle, the preparer must complete all time and/or adjustment reporting by a specified date so that the transactions can be merged into the targeted compute process. Primary preparers must ensure that an employee's supervisor has signed the time and/or leave reporting documents confirming the validity of the time or leave reported.
3. Mandatory Reviewer (PPS)—reviews Web-based Post Authorization Notification (WebPAN) within one or two business days of receipt to ensure that transactions are accurate and have appropriate supporting documentation. The mandatory reviewer also ensures that all actions have received proper authorization before they were entered, and are compliant with policy and relevant regulatory requirements.
4. Mandatory Reviewer (OPTRS)—verifies that time reported and/or adjustment transactions processed are accurate based upon the supporting documentation and verifies online OPTRS rosters. The review of all entered transactions must occur prior to the closing of the time reporting window.
5. Back-up Preparer or Reviewer (PPS and OPTRS)—completes the duties of the primary preparer or mandatory reviewer as needed. 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.
6. Payroll Ledger Reviewer—reviews and certifies the payroll ledgers to ensure the validity of payroll expenditures and adjustments. The payroll ledger reviewer must be someone other than the primary preparer or the mandatory reviewer. See IV.B.2, below.

IV. Procedures

A. Separation of financial administrative duties

1. Cash receipts

The person collecting cash, issuing cash receipts, and preparing the DaFIS Statement of Cash Collections shall be someone other than the person performing the required monthly review of the DaFIS Transaction Listing-FIS2 (General Ledger) and the person maintaining accounts receivable records.

2. Payroll

a. Personnel actions and PANs shall 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 sign 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 job time records shall not be returned to the employee after supervisory approval has been captured.
- e. Each department shall designate a mandatory reviewer for PPS and OPTRS WebPANs and online OPTRS rosters. Since review of transactions occurs after the fact, the WebPANs must be reviewed within 2 working days. The OPTRS rosters must be reviewed before the closing of the time reporting window.
- f. Separate individuals will be assigned the roles of primary preparer and mandatory reviewer. The mandatory reviewer shall not be the individual who performs the monthly reviews described in IV.B, below.

3. Nonpayroll disbursements

The last person approving a DaFIS transaction that results in a nonpayroll disbursement shall be someone other than the person annotating that transaction as part of the required monthly review of the DaFIS Transaction Listing (FIS2) as described in IV.B, below.

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 shall 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. These differences shall 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

The person completing the required biennial (once every 2 years) physical inventory of departmental inventorial equipment and certifying completion of the review shall be someone other than the persons assigned operational custodial responsibility for individual pieces of equipment. See Section 350-55 for related standards.

6. Physical inventory of supplies

The person completing the required annual physical inventory of a supply inventory exceeding \$50,000 in value shall 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

The person physically receiving and verifying purchased items shall be someone other than the person who placed or approved the order.

B. Departmental review of financial reports

Departments shall review their general ledger and payroll ledgers monthly to certify the validity of charges and credits to their accounts.

1. The General Ledger is the Transaction Listing (FIS 2) report in DaFIS Decision Support.

The General Ledger Review function in Decision Support must be used by all general ledger reviewers. Instructions and training for using the General Ledger Review function are available on the DaFIS Training website.

- a. General Ledger accounts must be reviewed online by annotating transactions as either valid or invalid. Monthly reviews of printed ledgers are no longer acceptable. Certification of the general ledger review must be documented online using the Finalize Ledgers option in the General Ledger Review function.
 - b. The online ledger review functions ensure that the person annotating a transaction as valid or invalid is someone other than the last person who approved the transactions in DaFIS.
2. All units will review the payroll ledgers monthly to ensure that expenditures represent time worked by valid UC Davis employees and that amounts shown in dollars and hours are correct and charged to the proper account.
 - a. All units, except those under Chart H (UCDMC), will review the Distribution of Payroll Expense (PPS Decision Support 104) and the Time Benefits Roster (PPS Decision Support 119). Certification of these ledgers is accomplished by the reviewer signing the certification statement on the first page of the Distribution of Expense Report and signing the Time Benefits Roster.
 - b. UCDMC units under Chart H will review the UC Davis Medical Center Report MPRT 914, Hours and Dollars by Employee by Pay Period, and the PPS 7 report, Expense Distribution by Account, Consolidated Object. Certification of these ledgers is accomplished by the reviewers signing the reports.
- C. Equipment and supply inventories
1. Equipment Register
 - a. Biennially, physical inventory counts must be compared with the Equipment Register available through DaFIS Decision Support (FIS170). Differences must be reported to the Equipment Management Department by initiation of the appropriate DaFIS Capital Asset Management System (CAMS) documents and corrections made on the Equipment Register. (See Section 350-55.)
 - b. Completion of the biennial physical inventory shall be documented by submission of the Equipment Certification form (<https://ucdmm.ucdavis.edu/forms/eqcert.pdf>). Supporting documentation to demonstrate a full physical inventory was performed must be retained in the department for audit purposes until superseded.
 2. Perpetual supply inventories
 - a. Departments maintaining supply inventories for resale or for recharge within the University that exceed \$50,000 in value shall maintain perpetual inventory records (a continuous record of supplies added to and issued from the inventory, and an up-to-date balance of the inventory on hand) and shall take an annual physical inventory, preferably on a cyclical basis, of supply items. The physical inventory counts must be compared with the perpetual inventory record counts. Significant differences must be investigated by supervisory personnel. Unresolved differences must be reported to the next higher administrative level and to campus Accounting & Financial Services. (See Section 350-60.)
 - b. Departments will receive a Representation Letter from Accounting & Financial Services annually. Completion of the annual physical inventory and reconciliation shall be documented by completion of the letter and its return to Accounting & Financial Services.

V. References

- A. UC Accounting Manual:
 - 1. Chapter C-173, Cash: Cash Controls.
 - 2. Chapter D-224-17, Delegation of Authority--Signature Authorization.
 - 3. Chapter D-371-36, Disbursements: Invoice Processing in Response to Purchase Authorizations.
 - 4. Chapter R-212-2, Receivables Management.
- B. UC Business & Finance Bulletins:
 - 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. UCD Policy & Procedure Manual:
 - 1. Section 330-10, Approval Authorization.
 - 2. Section 330-55, Departmental Cashiering Operations—Policy Overview.
 - 3. Section 350-55, Care and Control of Equipment.
 - 4. Section 350-60, Management of Supply Inventories.
 - 5. Section 380-70, Consultant Agreements.
- D. DaFIS Training (<http://dafis.ucdavis.edu/training/>).
- E. Payroll/Personnel System (<http://pps.ucdavis.edu/>).
- F. PPS Online Payroll Time Reporting System (OPTRS) (<http://payroll.ucdavis.edu/optrs/>).