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I. CHAPTER 3 – RESPONSIBILITIES OF FINANCIAL MANAGEMENT

The purpose of this chapter of *The Guide* is to provide information about administering departmental finances. This section notes significant policies and procedures, provides an overview of internal control, gives suggestions for getting organized and ready to work, and provides a checklist of periodic tasks to complete.

II. PERTINENT POLICIES

As noted in Chapter 2 of *The Guide*, departmental financial management must be done in accordance with University of Colorado and Boulder campus policies. The following three policies are of critical importance:

- **Fiscal Roles and Responsibilities**
- **Fiscal Code of Ethics**
- **Internal Controls & Compensating Controls** section of the Accounting Handbook

The *Fiscal Roles and Responsibilities Policy* establishes the duties associated with key levels of management personnel, so that the fiscal impact of University operations is planned, controlled, and accurately accounted for in the University’s financial records. The *Fiscal Code of Ethics* discusses the fiduciary responsibility of every University employee to fulfill its overall mission in compliance with applicable policies, laws, regulations, rules, contracts, grants and donor restrictions.

In practice, however, the program manager often delegates responsibility for the transaction processing, record keeping, and financial monitoring to a different employee within the unit. This individual is frequently an administrative assistant, program assistant, or office manager. Since the minimum qualifications for these job classes may not include accounting or budgeting, staff that are asked to assume responsibility for a unit’s finances often have little or no formal education and/or professional experience in these areas. Therefore, this section of *The Guide* addresses the activities and responsibilities associated with a position having financial duties.

III. INTERNAL CONTROL

*Internal control* is defined as a process or group of processes implemented by an entity designed to provide reasonable assurance regarding the achievement of objectives in the following categories (from 2CFR200.61):

1. Effectiveness and efficiency of operations;
2. Reliability of reporting for internal and external use; and
3. Compliance with applicable laws and regulations.

A. Overview of Internal Control
An essential function of every finance-related job on the campus is to safeguard the assets of the university through the development and implementation of a solid structure of internal control. Such a structure consists of policies and procedures designed to provide reasonable assurance that specific departmental and university objectives will be achieved.

Without a set of internal controls, the university may fail to attain its objectives for reasons such as:
- Fraud and waste
- Losses resulting from fines and penalties due to non-compliance
- Inadequate resources resulting from inefficient processes
- Interruption of operations because of injury to personnel
- Ineffective communication that, in turn, results in misapplication of effort and resources.

Each department must create and maintain a structure of internal controls. Internal controls may vary from one department to the next because the specific control structure implemented for a given entity within the university will depend upon its size, the nature and complexity of its operations, and whether or not it is subject to requirements imposed by legislative or regulatory bodies.

After the internal control structure has been put into place, those doing the work must monitor the controls and offer suggestions for changes if warranted. Internal controls exist in a dynamic environment. Employees retire, computer systems are upgraded, and circumstances arise which may necessitate modifications to internal controls. Through continual monitoring of its internal control structure, the university can react quickly and effectively to changing conditions.

Some Final Thoughts about Internal Control
Internal controls are more than a set of policies and procedures. Internal controls provide reasonable assurance to the leaders of the university against risk in operations, financial reporting, and compliance with regulations. At the heart of the internal control structure and across all levels of the university is the staff. Every employee interfaces with internal controls during the course of his/her work and, therefore, plays a critical role in mitigating risk for the university, safeguarding the university’s assets, and ensuring that the university has every opportunity to successfully achieve its objectives.
If you are the person responsible for departmental finances, then you play a key role in making sure that your departmental operations and finances are guided by a sound set of internal controls.

Contact your area accountant for assistance in developing or evaluating the internal control structure of your department.

Every department on campus must develop and implement internal controls.

B. On-the-Job Application of Internal Controls

Internal control is not just one action, but a series of actions designed to safeguard the assets of the university. This section of The Guide describes internal control activities that should be present within every department on the Boulder campus.

1. Records Management

Records management at CU-Boulder follows guidelines and schedules articulated by Colorado State Archives, directives issued by various state and federal agencies, and other authoritative entities. Information about the management of financial records at CU-Boulder is contained in the Retention of University Records APS and its accompanying Records Retention Schedule.

These two documents largely follow the Colorado State Archives Records Management Manual, which provides uniform disposition standards for records common to all state agencies. The recommendations contained therein have been incorporated in CU-Boulder’s retention schedule cited above.

With respect to financial records associated with sponsored projects that receive federal funds, the CU-Boulder records management practices adhere to the following:

- CFR Title 2, Part 200, Grants and Agreements, Section §200.333 Retention requirements for records.
- Department of Health and Human Services CFR Title 45, Part 74, Uniform Administrative Requirements, Subpart C: Post-Award Requirements, §74.53, Retention and access requirements for records, and §74.48 Contract provisions.
A word of caution about records: According to the Colorado State Archives Records Management Manual, NO RECORD SHALL BE DESTROYED SO LONG AS IT PERTAINS TO ANY PENDING LEGAL CASE, CLAIM, ACTION OR AUDIT.

Contact your area accountant if you have any questions about the retention and disposition of finance records.

2. Source Documents: Organization and Filing
Getting source documents organized and placed into files (paper or digital) serves as the foundation for staying in control of departmental finances. With a good filing system in place, answering questions such as, “How much money is available to spend on travel in a certain FOPPS?” or, “When will that equipment be delivered?” become a breeze.

The first step in getting organized is to set up a system that will provide convenient access to essential information. Source documents, invoices, receipts, and financial statements should each have a place to call home.

Digital vs. Paper
The web-based Concur Expense System employs digital document storage via scanning or faxing. Keep this in mind as you read through the recommended practices that follow. While the storage medium may differ, the importance of a sound, consistent set of procedures remains. Digital storage of source documentation is acceptable in lieu of paper but be certain that digital documents are clearly readable before you discard the paper documentation that it represents.

a) Set up an “IN” basket.
Designate ONE spot in the work area for departmental folks to deposit all materials related to their purchasing and financial activities. Make it clear that all requests for INs (Interdepartmental Invoices) and other purchasing documents, all packing slips, all invoices, all receipts, etc., should be placed into this “IN” basket. Explain to departmental staff that, by depositing all paperwork into the “IN” basket, it facilitates processing timeliness and effectiveness.
b) Organize all source documents.
The list that follows offers suggestions for getting organized.

i) Create a set of two files for each departmental FOPPS.
Think of the first file as a parent file, which will serve as a folder for holding two child files. Now, create two child files: one for source documents that are still outstanding or pending, and the other for source documents that have cleared the monthly Detail statement.

ii) Organize the paperwork in the each of the child files
Arrange the materials by type of document, e.g., clip all cash receipts together, clip all INs together, clip all journal entries together, etc. Or, sort the source documents according to account, e.g., clip together all paperwork with an operating expense account, then clip together all source materials with a travel expense account, etc.

iii) In the child file containing the cleared source documents (organized either by type of document or by account classification), make sure to also group the paperwork by month.
For example, clip together all July paperwork, i.e., the source documents associated with the transactions that cleared the statement in July. Do the same for the paperwork for August transactions, September transactions, etc.

c) Organize the monthly financial statements.
The list that follows offers suggestions for organizing and filing monthly financial statements.

i) Get some three-ring binder notebooks and divider tabs.
On each divider tab, write the FOPP number and its name.

ii) Insert the FOPPS divider tabs into the binders
Some departments have one notebook for each organization within the department, and file all FOPPS for that particular organization in the same notebook. Other departments may choose to organize their statement binders according to fund. Thus, all General Fund FOPPS will be filed in one notebook; all Auxiliary Fund FOPPS will be filed in a different notebook, etc. No matter which approach is selected, the divider tabs should be inserted into the notebook in numerical order.
(a) **Place the monthly financial statements behind the divider for the respective FOPPS.**

(i) For General Fund FOPPS (FOPPS that begin with 10 or 11) two or three statements will be available online each month:
   (a) Revenue and Expense Statement Detail - by Program
   (b) Revenue and Expense Statement Summary - by Program
   (c) Outstanding Encumbrances - by Program.

(ii) For Auxiliary Fund FOPPS (FOPPS beginning with 20, 26, 28, 29) and Plant Fund Renewal & Replacement FOPPS (FOPPS beginning with 72, 78) three or four statements will be available online each month:
   (a) Balance Sheet Detail
   (b) Revenue and Expense Statement Detail - by Program
   (c) Revenue and Expense Statement Summary - by Program
   (d) Outstanding Encumbrances - by Program

(b) **Be sure to file the statements in the SAME ORDER each month.**

For example,
1. Locate the Balance Sheet statement immediately behind the divider sheet,
2. Place the R&E Summary statement behind the Balance Sheet statement, and
3. Put the R&E Detail statement behind the last page of the Summary statement.
4. If the FOPPS has outstanding encumbrances and you have received the Outstanding Encumbrance report, place this report behind the R&E Detail statement.

3. **Develop Departmental Procedures for Each Financial Process**

   The financial processes with which a department is typically involved include cash handing, journal entry preparation, and budget journal preparation. Procedures should be developed to administer each of these processes so that the assets of the university are safeguarded, and reasonable assurance is provided that the university's objectives will be achieved. At a minimum, each procedure should incorporate the elements of proper authorization, segregation of duties, and maintenance of documents and records.

   **Note:** Sound procedures characterized by strong elements of internal control, should also be developed for all procurement and human resources processes within the department.
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a) **Proper Authorization**
   In the current operating environment, the campus has moved away from paper documentation and hard-copy signatures to online approval. Authorization resides within the Finance System itself. Each end user of the Finance System has been assigned an Operator ID. The Operator ID has, in turn, been given a specific security profile that details the degree of system access available to the end user.

   | The Operator ID and Password Combination MUST BE KEPT CONFIDENTIAL—DO NOT SHARE THIS INFORMATION |

b) **Segregation of Duties**
   Departmental procedures for administering financial processes should be designed so that the duties of one employee provide a crosscheck on the work of one or more other employees. Such procedures can prevent errors and provide prompt detection of irregularities in the performance of assigned tasks. For example, the responsibilities of executing a transaction, recording a transaction, and maintaining custody of the assets resulting from the transaction, should be assigned to different individuals.

c) **Maintenance of Documents**
   Documents, whether in electronic or paper format, provide evidence of the occurrence of the transaction and the conditions associated with the transaction. Documents detail the date, price, terms, and description of the transaction. When properly authorized, documents also provide a basis for establishing responsibility for the execution and recording of transactions. For more information about records retention, refer to the *Records Management* in an earlier section of this chapter.

d) **Sample Procedure**
   The flowchart below outlines a sample procedure for administering a financial process within a department. This particular example outlines a procedure for preparing an online Budget Journal Entry. It incorporates internal control elements of
   - proper authorization
   - segregation of duties
   - maintenance of documents.
SAMPLE PROCEDURE
BUDGET JOURNAL ENTRY (BJE) PROCESS

Determine that budget change is needed.  
*Off-line Process*

Obtain approvals required by departmental/college/division policies and procedures.  
*Off-line Process*

PBA Budget Office staff pulls up, on a daily basis, outstanding BJEs in VALID status for review and approval. BJEs in Edit Req’d status or Error status are not processed.  
*Online Process*

An employee with the proper authorization uses the Finance System to enter the online BJE. Online BJE process should be completed through the Validate step.  
*Online Process*

Does the BJE pass approval?  
*Online Process*

NO  
Budget staff contacts department to resolve problem.  
*Off-line Process*

YES  
Budget staff posts the BJE.  
*Online Process*

If not resolved, delete the BJE.  
*Online Process*

Department verifies budget transaction on Revenue and Expense Statement Detail.  
*Off-line Process*

Department prints a file copy of the BJE if needed.  
*Online Process*

Note: This flowchart can be used as an example by departments when developing procedures for administering financial, procurement, and human resource processes.
4. Detailed Procedures for Cash Handling
   Due to the sensitive nature of working with cash, this topic is the focus of an entire chapter in *The Guide* — Chapter 10 - *Cash Control*.

5. Perform a Series of Daily, Weekly, Monthly, and Quarterly Tasks

   a) Daily Tasks

      i) Look through your “IN” basket.

         (a) **Separate the paperwork into two piles:**

         - Those documents which need to be **filed**
         - Those documents which need to be **processed**

         For documents in the **to be filed** pile, file them in the appropriate folder.

         For documents in the **to be processed pile** check due dates and deadlines, and sort them in priority order. Begin working on the most important paperwork first.

         ⇨ When deciding which items are **high** priority and which are **low** priority, keep in mind

         - **Process deadlines**, e.g., What is the deadline for completing an online journal entry or budget journal if it needs to post this month? *and*

         - **Turn around time** required by certain university processes, e.g., How much lead-time does the PSC need to generate a vendor check?
b) Weekly Tasks

i) Keep on top of all deadlines.
   Are there any critical accounting, budgeting, purchasing, or payroll deadlines this week?
   ▪ Check the CCO website for accounting/budgeting deadlines https://www.colorado.edu/controller/calendar.
   ▪ Refer to the PSC website for purchasing deadlines https://www.cu.edu/psc Also select the PSC Communicator link on the PSC website.
   ▪ Check the Employee Services website for System and Campus payroll calendars http://www.cu.edu/employee-services/skillsoft/payroll-production-calendars.

ii) Look through the outstanding/pending files.
    Are there bills that need to be paid? Journal entries that need to be prepared?

c) Monthly Tasks

i) Reconcile your source documents to the Revenue and Expense Statement Detail and, as appropriate, to the Balance Sheet Detail statement(s)

   (a) Get out the “pending/outstanding” file for each FOPPS.

   (i) Remove each source document from the file and look on the statement to see if the transaction has been recorded in the FOPPS. The following reference fields will assist you in locating the transaction on the statement:
      □ Account #
      □ Invoice# or source document #
      □ Vendor
      □ Description

   (ii) When you have located the transaction, verify that the account number and the amount shown on the statement are the same as those appearing on the source document.

   (a) If the information on the source document and the statement agree,
      ▪ Make a check mark next to the particular transaction on the statement,
      ▪ Indicate on the source document the month and year the transaction cleared the statement, and
      ▪ File the source document in the CLEARED file for the respective FOPPS.
(b) If the information on the source document and the statement do not agree,

- Review the information you have about the transaction and see if you can detect the source of the discrepancy.
- Check the Journal Source and determine who is associated with this particular journal source, and make contact.
- Return the source document to the PENDING file until the error has been fixed and the corrected transaction appears on the financial statement in a subsequent month.

(c) If the transaction on the source document does not appear on the statement,

- Make a note to that effect on the source document. For example, “Not on November 2010 statement”.
- Return the source document to the PENDING file.

ii) Compare the budget to the actuals on the Revenue and Expense Statement Summary statement for FOPPS in Funds 10, 20, 26, 28, 29, 30, 31, 71, 72, 78.

The purpose of this monthly exercise is to determine whether or not an organization is in control of its operations by comparing the PLAN (budget) for revenues/expenditures to the revenues and expenditures actually recorded in the FOPPS.

Note: The time period for FOPPS in Fund 30, 31, and 71 is typically the duration of the project and not the fiscal year.

iii) Review the Balance Sheet for FOPPS in Funds 20, 26, 28, 29, 34, 71, 72, 78 to verify that the cash balance and fund balance are favorable

- Favorable cash balance is a debit. $1,000
- Favorable fund balance is a credit ($1,000)


d) Quarterly Tasks
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i) Take an in-depth look at the financial activity in each FOPPS and at the financial position of each FOPPS.

(a) For FOPPS in Funds 10, 20, 26, 28, 29, 30, 31, 72, 78, look at the variance between the budget and the actual
   ▪ For each account within the FOPPS
   ▪ For the “bottom line” of the FOPPS
   ➔ Typically, a variance of 10% or greater should be examined.

(b) For FOPPS in all funds, review the revenue and expense patterns in each individual FOPPS.

   (i) What was the status of each particular FOPPS at the end of the previous fiscal year?

      (a) Was the FOPPS on-target, over-spent, or under-spent for the year?

ii) How do the actual revenue/expenses for the FOPPS in this fiscal year compare to the actual revenue/expenses for the FOPPS during the same period of the previous fiscal year?

(a) Are they similar?

   (i) Based upon the prior year-to-current year comparison

      (a) Are there certain FOPPS that will likely be over-spent at the end of the year?

      (b) Are there other FOPPS that will likely come in under budget?

      (c) For FOPPS in Fund 10,

         (i) Should a budget adjustment be made?

         (ii) If so, should the budget adjustment be temporary or continuing?

      (d) For FOPPS in funds 20, 26, 28, 29, 34, 72, and 78

         (i) Were the cash balance and fund balance favorable at fiscal year end for the prior year?

6. Provide Regular Reporting to Management

   The employee who is responsible for maintaining the department's financial records, doing the monthly reconciliation of the departmental
FOPPS, and performing the quarterly monitoring of the financial statements, must communicate information about the department's financial condition with management.

For example, management must be informed if the revenue or expense pattern for the current fiscal year differs from previous fiscal years. When faced with a financial variance from one year to the next, management may decide to take corrective action such as requesting additional budgetary support or reducing expenditures. Similarly, when analysis indicates evidence of an ongoing problem in a particular FOPPS, this information must be presented to management. It is management’s job to take corrective action so that the financial objectives of the university can be achieved.

The Reporting System provides online financial reports to every employee—management included—who has a fiscal role. You might assume that the right people are getting needed information and acting upon it. Ideally, this is true. However, if you notice anything unusual or that deserves a closer look, do not hesitate to bring this up to management. Be proactive—don’t assume that the problem was detected.

The Fiscal Roles and Responsibilities Administrative Policy Statement identifies specific areas of responsibilities appropriate to the different fiscal roles: Officers, Fiscal Principals, and Fiscal Managers. The Fiscal Managers section G-6 contains a list of things to pay attention to during the financial report review process and section G-7 contains a list of things that should be brought to the attention of the Officer, Fiscal Principal or Fiscal Manager as appropriate.

7. Know Pertinent Campus Policies, Procedures, Regulations and Resources
The FY13 Boulder campus current funds operating expenses was over $1.2 billion. Financial support comes from

- Gifts, grants and contracts. Funding sources for this category of revenue include
  - Federal Direct Lending Program
  - Sponsored research and programs (federal, state, local, private)
  - Federal student financial aid
  - Private gifts from non-governmental sources.

- Tuition and fees
- State appropriated funding which includes
  - State general fund support for current operations
  - State appropriated student financial aid
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- Auxiliary and other revenues.

With such a diverse funding base, there are several policies and regulations that govern university operations and the spending of university monies. Among these are:

a) **Purchasing**
All purchases must be made in accordance with the regulations established by the University of Colorado, State of Colorado, and the Federal Government. These rules are designed to ensure accountability to the public and fairness to the vendors. Follow proper procurement procedures when buying goods and services for the university, and avoid after-the-fact purchases. Visit the Procurement Service Center (PSC) website [https://www.cu.edu/psc](https://www.cu.edu/psc) to become familiar with purchasing and payable processes.

b) **Travel**
All travel associated with university business, whether foreign or domestic, must be conducted in accordance with university policy and procedures. Complete information is located on the PSC travel website [https://www.cu.edu/psc/travel](https://www.cu.edu/psc/travel).

c) **FOPPS Management**
All employees who are responsible for the administration of university resources need to become familiar with higher education fund accounting concepts and the university’s Finance System. Visit the [CCO PeopleSoft Finance System Training page](https://www.cu.edu/psc/travel) for more information.

d) **Sponsored Projects**
All research institutes, most academic departments, and many other campus offices participate in sponsored projects. The area of sponsored project financial management, Fund 30 and 31, can be particularly challenging because of the number and complexity of the associated regulations. The Office of Contracts and Grants (OCG) administers the pre-award phase of a sponsored project. Check out the [OCG website](https://www.cu.edu/psc/travel). Sponsored Projects Accounting (SPA) handles most of the post-award process. Tasks such as keeping expenses within the award budget, identifying allowable and unallowable expenditures per OMB A-21, administering the Personnel Effort Reporting System (PERS), preparing invoices and collecting payments, submitting financial reports, and working with cost transfers, fall within the purview of SPA. More information about SPA’s units can be found [online](https://www.cu.edu/psc/travel).
Campus Controller’s Office (CCO) customer support staff, also known as area accountants, are assigned departmental liaison responsibilities according to the divisions and colleges of the Boulder campus. This professional should serve as the department’s first contact concerning all matters financial, with the exception of payroll. The area accountants can be found on the [CCO website](http://www.cco.colorado.edu).