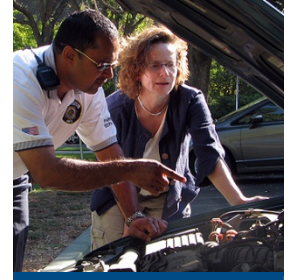
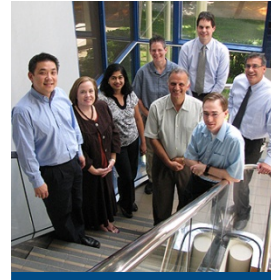


# UC DAVIS

## ACCOUNTING AND FINANCIAL SERVICES



## New Department Chair Workshop

September 22, 2014

Mike Allred,  
Associate Vice Chancellor for Finance/Controller

Sandra Cortes,  
Director of Controls & Accountability

# Overview of Presentation

- Financial Management
  - UC/UCD Financial Summary
  - UC Controls Initiative
    - Components of Internal Control
    - UC Accounting Program
  - Travel
  - Departmental Operations
- Research Compliance
- Sarbanes-Oxley Act of 2002
- Resources

# Financial Snapshot - 2013

## • UC

- Total Assets of \$53 billion
- Total Liabilities of \$37 billion
- Net Position of \$16 billion
- Operating Revenues
  - \$21.1 billion
- Operating Expenses
  - \$26.6 billion
- Net non-operating Revenues
  - \$4.0 billion
- Other Changes in Net Assets
  - \$399 million
- Increase/(Decrease) in Net Assets
  - \$(1.1) billion

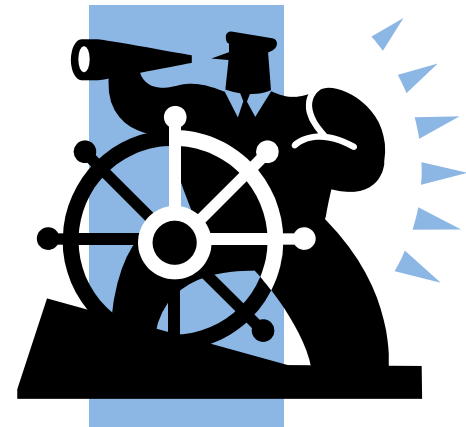


## • UC Davis

- Total Assets of \$5.7 billion
- Total Liabilities of \$2.4 billion
- Net Position of \$3.3 billion
- Operating Revenues
  - \$3.0 billion
- Operating Expenses
  - \$3.5 billion
- Net non-operating Revenues
  - \$503 million
- Other Changes in Net Assets
  - \$85.4 million
- Increase/(Decrease) in Net Assets
  - \$105.6 million

# Roles & Responsibilities of UC Controllers

- UC Controls Initiative
  - Began in 1997 at the request of the Regents in response to several well publicized cases of misuse
  - Provide leadership and direction for implementation of the initiative across the campus
  - Responsible for the quality of controls in areas directly reporting to them
    - Ensure appropriate controls for other campus operations
- Develop and implement campus wide system of internal control
- Established clear lines of responsibility
  - Chancellor, Provost, VC of Administration
  - Controller
  - Director of Controls & Accountability



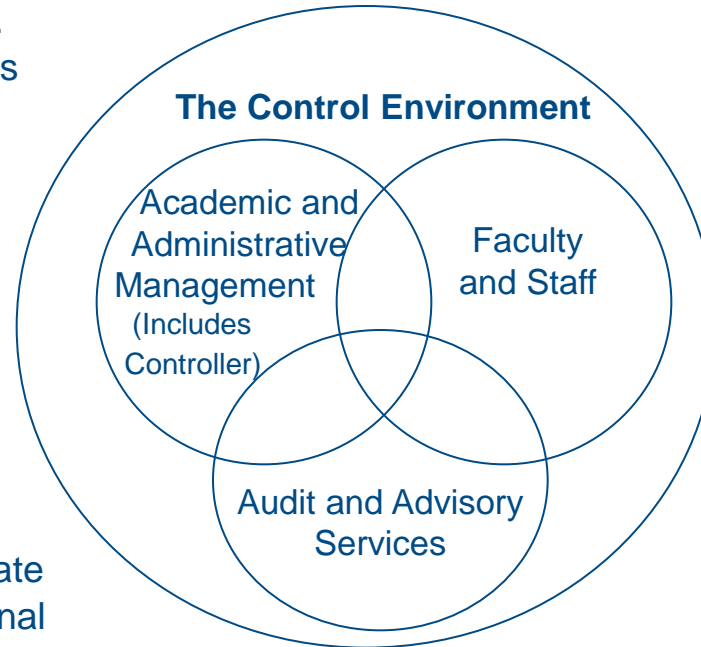
# Control Responsibilities

## The Control Environment:

All academic and administrative employees are responsible for controls when conducting University business. Although specific responsibilities between groups may vary, all work toward the same goal of ensuring an effective and efficient control environment.

## Audit and Advisory Services:

Assists management in their oversight and operating responsibilities through independent audits and consultations designed to evaluate and promote the system of internal controls.



## Academic and Administrative Management:

Responsible for developing, implementing and maintaining controls to manage risks and achieve objectives. Controller has primary responsibility for providing campus leadership to establish effective internal control and accountability practices.

## Faculty and Staff:

Responsible for applying University values, policies, procedures and regulatory requirements to ensure consistent operations.

### *What is Internal Control?*

Internal control is an integral part of the University's operations. Internal control is broadly defined as a process, effected by our Board of Regents, faculty, and academic and administrative staff, designed to provide reasonable assurance regarding the achievement of instruction, research, patient care, and community service objectives, including:

Effectiveness and efficiency of operations.

Reliability of financial reporting.

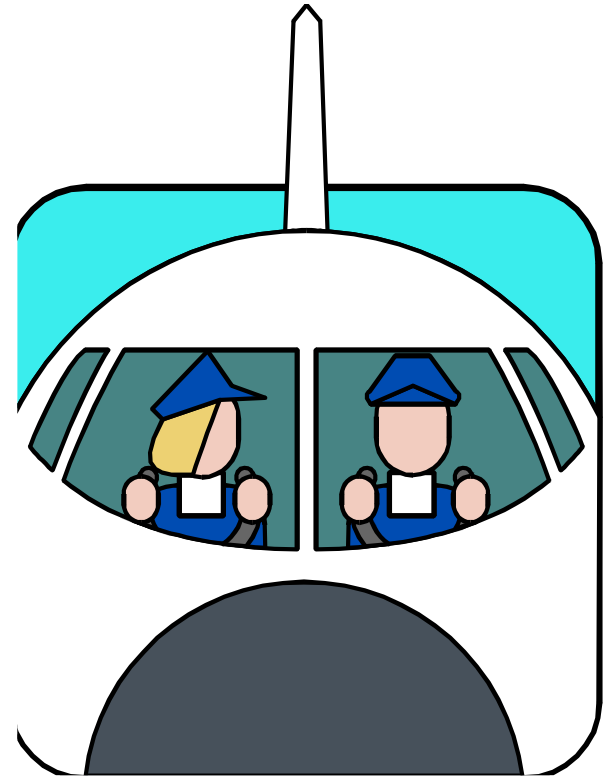
Compliance with applicable laws and regulations.

# Five Components of Internal Control

- Control Environment - The tone of the organization influences the control consciousness of its people...tone at the top.
- Risk Assessment - Identification and analysis of relevant risks associated with achieving goals/objectives
- Control Activities - Policies and procedures that ensure management directives are carried out
- Information and Communication - Relevant information must be identified, captured and provided to the right people in time to allow appropriate action
- Monitoring - A process that assesses the quality of an internal control system's performance over time

# Financial Management

- Separation of Duties:
  - One person's work should serve as a complementary check on
  - No one person should have complete control over any



# UC Accounting Program

- UC maintains and operates a comprehensive accounting program in order to:
  - Meet its stewardship responsibilities
  - Provide management information to all levels of the University's administration, as well as State and Federal officials



# Financial Management - Travel

- Travel expense reporting:
  - Must be submitted within 60 days of end of trip
    - Systemwide policy will soon change to 45 days
  - UCD Corporate Card (CC) payments are due every 30 days
    - Reconcile as soon as possible to avoid late fees
  - Receipts for payments not made with CC should indicate a “paid” status
  - Personal expenses must be identified on travel documentation
  - Any expense reimbursement received from outside (non-University) to offset travel expenses should be included in supporting documentation

# Financial Management - Travel

- Airline Upgrades:
  - Policy requires that travelers select the lowest-priced ticket without upgrades
  - Exceptions allowed ONLY for following reasons (and MUST be supported by documentation and appropriate approvals):
    - Business or First-Class is only service offered between two points
    - Use of coach class would be more expensive/time-consuming
    - Itinerary involves overnight travel where rest is not possible before resumption of work hours
    - Certified medical need for business/first-class travel

# Financial Management - Travel

- Best practices:
  - Use CONNEXUS for travel arrangements
  - Sign up for university Corporate Card
  - Use Rental Car Agreements
    - Give contract # to agency!
    - Decline additional LDW coverage **unless** traveling outside of the US
  - Spouse attendance for business travel, must be documented to meet the University G-28 Travel Policy, and is treated as an exception to policy.
  - Travel expenses for children are not allowed during interviews, but can be approved during house hunting trip

# Financial Management

- What to expect from your MSO/CAO
  - Helps you “Set the Tone-At-The Top” and follows the UC Statement of Ethical Values
    - ***Integrity*** in our dealings
    - ***Excellence*** in our work
    - ***Accountability*** as individuals and for compliance
    - ***Respect*** the rights and dignity of others
  - A Resource for Decision Making
    - Understands the Department’s mission and goals
    - Understands campus administrative policies and regulations
    - Knowledge and experience in financial planning and budgeting
    - Maintains confidentiality

# Financial Management

- Planning & Budgeting
  - An annual budget should be established to accomplish the following:
    - Prioritize goals and objectives
    - Guide the deployment of resources
  - What you will want to know:
    - What is our actual performance compared to the budget
      - Expenditures and revenues
      - Is there a plan to deal with variances between actual and budget?

# Financial Management

- Questions you can ask your MSO/CAO
  - Budget Questions?
    - What is the department's total budget?
    - As compared to last year did the budget go up or down? Why?
    - Can we influence what is allocated to us on a yearly basis?
    - What can we use our operating budget for? Any restrictions?
    - Do we have any one time funds? What are the purpose of those funds? Will they be recurring (i.e. Indirect Cost Return Funds)?
    - Does the department have any overdrafts? Do any of the faculty?
    - What's the supplemental teaching allocation this year? When will we need to submit a new request?
    - Is there a travel budget?
    - Are there any outstanding travel advances that have not been reconciled?

# Financial Management

- Is the Department Processing Transactions on a Timely Basis?
  - How often are the ledgers reviewed?
  - How long does it take for a purchasing request to be processed?
  - How long does it take for a travel report to be processed?
  - What should I be looking for when I review a travel or entertainment report?

# Financial Management

- Delegation of Authority
- Responsibilities that *cannot* be delegated:
  - Accountability for:
    - Working with MSO/CAO to ensure that proper controls and monitoring procedures are in place and are followed
    - Ensuring reports are accurate and meaningful
      - Personnel actions
      - Equipment inventory certifications completed every two years
    - Account for financial resources received and used



# Financial Management

- Research Administration Questions?
  - What's the dollar value of the contracts/grants for the department?
  - Do we have any overdrafts in any of the contracts/grants?
  - How often do we have cost transfers?
  - Do we have any contracts/grants that will be closing?
  - What are the award close-out requirements?
  - How are our PI's doing on their Effort Reports?



# Research Compliance

- New Federal Rules

- The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) were released on December 26, 2013
- The Uniform Guidance streamlines and supersedes guidance that was previously contained in eight different OMB Circulars
- Included in the new guidance are definitions, uniform administrative requirements (both pre- and post-award), cost principles, and audit requirements.
- From the university perspective, the Uniform Guidance will supersede OMB Circulars A-110, A-21, and A-133.

# Research Compliance

## ➤ Research Administration

- Cost Principles
  - Allowable costs
    - » Reasonable
    - » Allocable
    - » Consistently Treated
    - » Cost must not be explicitly excluded by federal guidelines or terms of award
- Cost Sharing
- Cost Transfers
- Effort Reporting
- Closeout reports



- Risks of Non-Compliance
  - Cost Disallowances, Penalties
  - Withholding of Payments
  - Withholding of Future Award
  - Designation as a High Risk Organization
  - Special Monitoring and Corrective Action Plans
  - Personal Liability
  - Criminal prosecution

# Sarbanes-Oxley Act of 2002

- Passed by Congress to help restore investor confidence in the financial markets in the wake of Enron, Tyco, Global Crossing, WorldCom, HealthSouth...
  - Created a new accounting oversight board to police the practices of the accounting profession
  - Strengthened auditor independence rules
  - Increased the accountability of corporate officers and directors
  - Improved disclosure and financial reporting



# Influence of Sarbanes-Oxley Act

## FYE Certification Letter

- Representations made by signatory to Controller:
  1. Responsible for the applications of University P&P
  2. No material transactions, accounts or agreements, that have not been properly recorded in campus accounting records
  3. Communications from regulatory agencies, donors, or other entities concerning noncompliance...have been disclosed in writing
  4. All known allegations of fraud or suspected fraud have been disclosed
  5. Management of funds in compliance with laws, regulations, C&G agreements, and donor restrictions

# Resources

- Guide to Research Compliance
  - For PI's and Department Administrators
  - <http://research.ucdavis.edu/rcg>
- Administrative Responsibilities Handbook
  - <http://accounting.ucdavis.edu/refs/AdminHandbook.pdf>
- Travel & Entertainment
  - <http://travel.ucdavis.edu/>
- Incentive-Based Budget Model
  - <http://budget.ucdavis.edu/budget-model/index.html>
- Budget Model Overview Presentation
  - <http://budget.ucdavis.edu/budget-model/documents/budget-process-presentation-example-unit.pdf>

# Contacts

Mike Allred

[jmallred@ucdavis.edu](mailto:jmallred@ucdavis.edu)

(530) 757-8503

Sandra Cortes

[sbcortes@ucdavis.edu](mailto:sbcortes@ucdavis.edu)

(530) 757-8516



**Questions?**