NEW CHAIRS WORKSHOP

FINANCIAL MANAGEMENT

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UCDAVIS

Financial Snapshot at June 30, 2017

- ## UC

  Total Assets & Def Outflows of
   $69 billion

  Total Liabilities & Def Inflows of
   $66 billion

  Net Position of $2 billion

  Operating Revenues of
   $28 billion

  Operating Expenses of
   $34 billion

  Net non-operating Revenue
   $6 billion

  Other Changes in Net Position
   $278 million

  Increase in Net Position
   $1 billion

- ## UC Davis

  Total Assets & Def Outflows of
   $7.4 billion

  Total Liabilities & Def Inflows of
   $8.7 billion

  Net Position of ($1.3 billion)

  Operating Revenues of
   $4.1 billion

  Operating Expenses of
   $4.7 billion

  Net non-operating Revenues
   $696 million

  Other Changes in Net Position
   $54 million

 Increase in Net Position
   $126 million

UC Accounting & Controls

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.

Annual Fiscal Certification

- Strengthen internal controls to assure a higher level of integrity in financial reporting
- Gives the Chancellor, FOA VC, and University Controller comfort in signing the Management Representation Letter in support of the annual financial statement audit
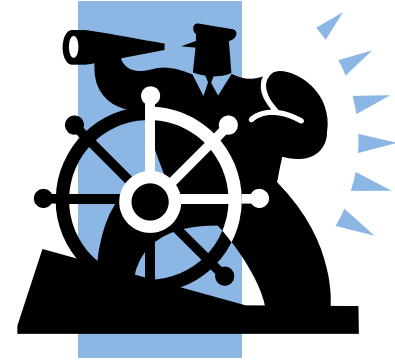
Control Responsibilities

What are Internal Controls?

- Internal controls are an integral part of the University's operations and are the responsibility of all faculty and staff. Core internal control objectives include:

  - Effectiveness and efficiency of operations.

  - Ensure reliability of financial reporting.

  - Compliance with applicable laws and regulations.

  Internal control website is a great resource for additional information:
  http://afs.ucdavis.edu/our_services/controls-e-accountability/internal-controls/index.html

Control Responsibilities, continued

Everyone at UCD contributes to an effective control environment.

The Control Environment (Tone at the Top):

All academic and administrative employees are responsible for controls when conducting University business.

Academic and Administrative Management:

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

Faculty and Staff:

Responsible for *applying* University values, policies, procedures and regulatory requirements.

Audit and Management 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.

Internal Control Practices

4 keys to great internal control practices:

- **Separation of duties:** Divide responsibilities between different people so one individual doesn't control all aspects of a transaction.

- **Authorization and approvals:** Be sure that only a person with delegated authority approves or authorizes transactions.

- **Security of assets:** Safely secure equipment, cash, inventory, and resources. Reduce the risk of unauthorized use. Count periodically and compare with amounts shown on control records.

- **Review and reconciliation:** Regularly examine transaction records against official university records to verify accuracy, appropriateness, and proper compliance.

1. Which of the following do _not_ fall under the responsibilities of a department chair?

a.   Prepare the budget and administer the financial affairs of the department, in accord with University procedures.

b.   Be responsible for the custody and authorized use of University property assigned to the department.

c.   Assign departmental space and facilities to authorized activities in accordance with University policy and campus rules and regulation.

d.   All of the above

e.   None of the above

Planning & Budgeting

- An annual budget must 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?
    - AggieBudget will be available soon for all units and should greatly improve the budget process

2. Which of the following is _not_ recommended as a best practice for financial management:

a. Verify availability of funds and appropriateness of expenditure prior to making commitments

b. Annually review supplemental teaching budgets and adjust as needed

c. Regularly meet with your MSO/CAO on budgeting and planning matters

d. Ensure timely completion of the monthly ledger reviews

General Ledger Review Process

General Ledger Review is the process of reviewing the department's ledger transactions to provide reasonable assurance that the charges and credits are valid. This report highlights transactions that are typically high risk in order to make the review more focused and easier to perform.

Key best practices include:

- Ensuring fiscal officers are not overloaded with the management of too many accounts
- Ensuring the right reports are being used to perform the review
- Ensuring all accounts have an active account officer and delegate

General Ledger Review Process Includes:

Analytical Ledger Review (ALR) – FIS403 DS report

- Monthly review by the fiscal officers
- Analytical review of accounts

Management Ledger Review (MLR) – FIS404 DS report

- Monthly review by the MSO/CAO/Manager
- Highlights overdrafts and high value transactions
- Summary of revenues and expenses

Quarterly Ledger Review (QLR) – FIS405 DS report

- Quarterly review performed by the Dean's/VC's office
- Similar to MLR but at the School/College/VC level

Travel Best Practices

- Use AggieTravel for booking airfare and reporting all trip expenses
  - Yes, you have to pay the booking fee – but it's still the lowest total cost to the UC
  - If you don't use AggieTravel, always register your trips at UC Away
- Use the UC Travel Visa card for all other expenses while on your trip
  - No, it will not affect your personal credit score
  - Apply at https://supplychain.ucdavis.edu/travel-entertainment/travel-card
- Book rental cars via AggieTravel or reference our contract #'s
  - No need to pay for Liability Insurance under our agreements (unless foreign rental)
- Don't exceed domestic meal or lodging limits: $62 per day, $275 nightly rate
- Be sure to have a bona fide business reason to include spouse or partner expenses
- Relocations and House Hunting must include Dean's office approval
- Late expense reports will be taxed (1-year late now, 60-days late starting in 2019)
- Employees should pay their own travel expenses – don't pay for your colleagues

Entertainment Best Practices

- Use the UC Travel Visa card for entertainment related expenses
    - If you need an agreement through Contracting for a large hotel or conference, you can still pay on the card
- Dining Services has fantastic catering in-house – think UC Davis first!
- Be sure to have a bona fide business reason to include spouse or partner expenses
- Don't exceed per person meal limits
    - $27 breakfast, $47 lunch, $81 dinner, $19 refreshments
    - Limits include taxes, tips, service, food, alcohol (you can exclude rentals and supplies)
- Always include your attendee list, either in the expense or as an attachment
- Always include required receipts, showing proof of payment
- Morale events cannot use State funds
- Retirement parties are reimbursable. Farewell parties, for someone leaving UCD or even staying within the UC system, are not reimbursable.
- You can't buy gifts for employees using UCD funds if related to a personal event: birthday, holidays, year-end, etc.

Research Compliance

- Be aware of:
  - Cost Principles, allowable costs are:
    - 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

Research Compliance, continued

Best Practices

- Understand the value of contracts and grants in your units.
- Understand the results of any recent audit findings.
- Understand how well your departments are managing contracts & grants:
  - On an award basis, no significant overdrafts exist.
  - Any overdrafts are in an approved advance account.
  - Excessive cost transfers are a red flag.

3. In the Research Compliance arena, all of the following are possible consequences for non-compliance except:

a. Withholding of future awards
b. The establishment of special monitoring or corrective action plans
c. Personal liability
d. Cost disallowances
e. All of the above

Resources

- Accounting and Financial Services
  - http://afs.ucdavis.edu/
  - http://afs.ucdavis.edu/resources/fiscal-officer/index.html
- Guide to Research Compliance *For Principal Investigators and Department Administrators*
  - http://research.ucdavis.edu/wp-content/uploads/UCDavis_Guide_to_Research_Compliance_-20132.pdf
- Administrator's Responsibilities & Resources Handbook
  - http://afs.ucdavis.edu/resources/handbook/index.html
- Travel & Entertainment
  - https://supplychain.ucdavis.edu/travel-entertainment

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Questions?