

MONITORING FINANCIAL TRANSACTIONS

Objective:

To determine whether financial reports generated from PeopleSoft are being monitored for accuracy and appropriateness of departmental expenditures and to determine if differences and discrepancies are reported and/or corrected to accurately reflect the financial condition of the department/unit.

Potential Impact:

Results in overspending, misstatement of institution financial statements, and/or misappropriation of funds

Helpful Tools:

- UH System Administrative Memorandum:
[03.G.03 - Financial System Verification of Cost Center Transactions](#)
- UH – Downtown Policy Statement:
[Financial Affairs – 05.A.14 -Verification of Account Activity](#)
- UHD Website:
[Administrative Reference Manual/index.html](#)

- **Contacts:**

Name: Lila Murray	Name: George Anderson
Email Address: murrayd@uhd.edu	Email Address: andersong@uhd.edu
713-221-8098	713-221-8449
Room: S970	Room: S970

Frequently Observed Weaknesses/Deficiencies:

- Inadequate segregation of duties
- Lack of controls
- Failure to verify all cost centers
- Insufficient monitoring of financial activity and review of cost center verifications
- Untimely review of financial transactions

Best Business Practices:

1. Designate an individual with the responsibility of identifying departmental cost centers and designing appropriate monitoring and reconciling processes.
2. Ensure that all active departmental cost centers are captured.
3. Verify all departmental Cost Centers activities at least monthly and maintain proof of verification for identified retention period.
4. The department head may delegate the duties associated with monitoring; however, ultimate responsibility and accountability for accuracy exists with the department head and should not be delegated.
5. Ensure adequate segregation of duties:

- Functions are divided so that one individual does not have control over all aspects of a transaction: authorization, custody, record keeping, and verification
 - The employee reviewing and approving financial transactions should not be the individual reconciling cost centers. If this is the same individual (generally due to a small number of employees), then a compensating control should exist, i.e. approval (sign-off) by the department chair or appropriate level of management
 - The employee collecting monies should not be performing departmental verifications. If this is the case (generally due to a small number of employees), a compensating control should be in place, i.e. approval (sign-off) by the department chair or appropriate level of management
 - Ensure employees are familiar with institutional policies and procedures
6. Monitor routine expenditures for any unusual trends.
 7. Discrepancies and/or errors noted on financial statements are researched and resolved in a timely manner, usually within 30 days after the month has closed.
 8. Ensure that the Cost Center manager approves (signs-off) on all verifications.

Case Scenario: Ms. Smith, the department administrator, approves and tracks check requests for the department; performs the verifications of the expense account; and files the verification in her office. No one else reviews and/or approves the monthly verification. Ms. Smith processes a check request for her own expense reimbursement and approves/signs as the department administrator. What are the internal controls for detecting wrongdoing? How is the department head ensuring accuracy and appropriateness?

Case Scenario Answer: There are no internal controls for detecting wrongdoing because Ms. Smith has complete access/control. There are no existing compensating controls to prevent wrongdoing resulting from inadequate segregation of duties. Additionally, the department head is not verifying the financial status of the department because he/she did not review and approve the monthly cost center verifications.

AREA

This questionnaire is designed so that “no” answers indicate that an internal control weakness may exist and the procedure/process may need to be examined in greater detail. **Comments should be provided for “No” answers.** When such weaknesses are identified, a change in the process may be necessary OR a control may need to be put into place to address the weakness. The appropriate UHD contact office (as outlined in the self-assessment text) may be contacted for assistance with identified weaknesses.

Self-Assessment of Internal Controls for Contracts	Yes	No	N/A	Comments
Does the department/unit have a designated individual to verify revenues and expenditures to PeopleSoft?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Is all departmental cost centers verified to PeopleSoft at least monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are verifications reviewed by the cost center manager?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all errors researched and corrected monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Is the individual who reviews and approves financial transactions different from the individual who verifies monthly financial reports?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does the reviewer approve (sign-off on) the verification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Is the monthly reconciliation documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are routine expenditures monitored for unusual trends?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are financial reconciliations and supporting documents retained for the appropriate time period as prescribed by institutional and UHS policies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This is a living document and will be updated as revisions are necessary. Periodically, you may want to check for updates and revisions. We welcome any questions and feedback regarding the information contained in this tool including any comments regarding how this may be more useful and effective.