Roles and Responsibilities - Accounting and Financial Reporting

Section: Accounting and Financial Reporting
Title: Roles and Responsibilities - Accounting and Financial Reporting
Number: 05.001

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APPENDIX

None.
The annual financial statements are prepared from the official accounting records of OUS. The Banner Finance Information System (FIS) at each OUS institution and the Chancellor's Office is the foundation of the OUS official accounting records. Information in FIS is further supported by the following subsidiary ledgers that integrate with FIS:

Institutions are required to maintain reconciliations between FIS and the subsidiary ledgers that integrate with FIS. Institutions also have other subsidiary records to provide more detail of the amounts in Banner FIS. These subsidiary records provide additional detail and must agree, but do not automatically integrate, with Banner FIS. Each university is required to maintain the reconciliations between Banner FIS and the non-integrated subsidiary records.

Summary information from each institution's Banner FIS is loaded into Hyperion Financial Management (HFM) for financial reporting purposes. HFM is maintained by the OUS Controller's Division.

.220 PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared from Hyperion Financial Management (HFM), which is a consolidated financial reporting tool, using each institution's Banner FIS accounting records as of "period 14." The Controller's Division is responsible for administering HFM; and creating the financial statements, including the captions within the financial statements and developing the HFM logic for populating each caption. The Controller's Division may make reclassifications within HFM between financial statement captions. All HFM reclassifications should be viewable by each institution's business office.

Occasionally the Controller's Division must make a HFM adjustment to a university's financial statements. A HFM adjustment results in a change to a university's fund balance between the closing of the accounting records and the issuance of the financial statements. All HFM adjustments must be reviewed with the applicable university's business office.

The Controller's Division compiles the other information needed for the annual financial statements, e.g. Notes to the Financial Statements and Management Discussion and Analysis.

.223 MONTHLY ACCOUNTING PERIODS

The Banner FIS accounting records are divided into accounting periods 01 through 12. Each period refers to one month. For example, period 01 runs from July 1 through July 31; period 02 runs from August 1 through August 31, etc. In addition to period 01 through 12, Banner FIS has a "period 14" for recording institutional year-end adjustments.

OUS follows the accrual method of accounting. Revenue is realized in the period it is earned, and expenses are recorded in the period they are incurred.
.225 MONTH-END CLOSING OF THE BOOKS

To allow for accrual accounting, the accounting records for each monthly period are not closed until the 10th day of the following month. An annual calendar of monthly closing dates is prepared by the Controller's Division. Adherence to the closing dates is critical to provide for immediate consolidation of each institution's and the Chancellor's Office accounting data into the OUS system-wide accounting databases. Any extension of a closing date must be approved by the Controller's Division.

A. ELECTRONIC DATA DOWNLOADS

The auditors often require electronic downloads of data to assist them in performing the audit. The downloads contain vast quantities of electronic data. To ensure that the downloads contain comparable data and are obtained the same way from each institution's accounting records, all electronic downloads requested by the auditors are performed by the Controller's Division.

B. MANAGEMENT REPRESENTATION LETTERS

The auditors require a signed management representation letter. The Chancellor's Office reviews and signs the management representation letter for the OUS consolidated financial statements. The Chancellor's Office may request institutional representation letters requiring institutional executive management review and signature.

C. MANAGEMENT LETTER COMMENTS

The audit of the annual financial statements may result in management letter comments for improving the internal controls and policies over accounting and financial reporting. The Chancellor's Office provides a written response to all final management letter comments.

- .100 POLICY STATEMENT

  The policy sets forth high-level accounting and financial reporting roles and responsibilities for the Chancellor's Office (CO) and the Institutions.

- .110 POLICY RATIONALE

  OUS seeks to ensure that the high-level roles and responsibilities of the Chancellor's Office and the Institutions related to accounting and financial reporting are documented, communicated, and clearly understood, and applied.

- .120 AUTHORITY

  - ORS 351.085 - Duties and Powers of Chancellor
  - OAR 580-040-0005 - Delegation and Assignment of Responsibility
  - IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility
.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Budget and Finance Committee of the Board on 2/15/02 as part of the Fiscal Accountability Framework Final Report. The effective date of the policy is 3/1/02. Additions to this policy were approved by the Associate Vice Chancellor for Finance and Administration/Controller on 11/27/06.

.140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

None.

.160 HIGH LEVEL ROLES AND RESPONSIBILITIES

A. CHANCELLOR'S OFFICE

<table>
<thead>
<tr>
<th>High level roles</th>
<th>High level responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination</td>
<td>Coordinates system-wide accounting and financial reporting needs with institutional business offices and State of Oregon State Accounting and Reporting.</td>
</tr>
<tr>
<td>Compliance Management</td>
<td>Ensures that the System's financial records are in compliance with Generally Accepted Accounting Principles (GAAP). This includes interpretation of standards and establishing policy and procedure to ensure compliance with GAAP.</td>
</tr>
<tr>
<td>System-wide Accounting Policies</td>
<td>Establishes, documents, and communicates system-wide accounting and financial reporting policies.</td>
</tr>
<tr>
<td>Chart of Accounts Maintenance</td>
<td>Maintains a baseline standard chart of accounts for the System.</td>
</tr>
<tr>
<td>Internal Control Management</td>
<td>Establishes and monitors internal control policies and procedures pertaining to system-wide accounting and financial reporting.</td>
</tr>
<tr>
<td>General Accounting</td>
<td>Performs general accounting functions, including primary liaison to institutional business office accountants and prepares inter-institutional accounting transactions related to capital construction projects and special OUS-wide programs.</td>
</tr>
<tr>
<td>Hyperion Accounting System</td>
<td>Develops and maintains the Hyperion accounting system which is the source for system-wide and OUS-consolidated annual financial statements, and other OUS financial reporting.</td>
</tr>
</tbody>
</table>
Financial Data Collection
Performs electronic data downloads into Hyperion and reconciles the data to the institutions' Banner financial systems.

Monitoring
>Performs periodic high-level monitoring and review of the OUS accounting records.

Closing of the Books
Issues annual closing of the books instructions and provides system-wide coordination of the annual closing of the books process.

Financial Statement Preparation
Prepares the complete annual financial statements for the System.

Year End Financial Statement Entries
Prepares and enters Hyperion entries for financial statement purposes. These include any necessary adjusting entries, consolidating entries, and reclassification entries to present the financial statements and supplemental schedules in accordance with GAAP.

Reconciliation
Prepares reconciliation of the net assets reported in the annual audited financial statements to the unadjusted net assets recorded in the institution Banner FIS accounting records at the System level and institution level and provides a copy to the institutions.

Financial Results Interpretation
Assists in analyzing financial position and results.

External Audit Coordination
Coordinates external audit of financial statements between the Internal Audit Division, State Audits Division, external audit firm, institutions and the Chancellor's Office.

SEFA Reports
Prepares and certifies annual Schedule of Expenditures of Federal Awards (SEFA).

Cost Accounting
Prepares or assists in preparation of cost accounting studies, including preparation of facilities and administrative cost proposals to the Federal government.

IPEDS Preparation
Completes annual IPEDS survey of financial data for OUS institutions and the Chancellor's Office.

Other Reports and Analyses
Provides other reports and analysis as needed (for both external and internal purposes) that pertain to the financial status and activity of OUS entities.

Accounting Financial Reporting Projects
Leads or assists in projects to improve the accounting and financial reporting of OUS and the OUS institutions.

Exposure Draft Response Coordination
Coordinates/develops System responses to exposure drafts from standards-setting bodies, assists in development of State responses, and also works with NACUBO on response development. Communicates positions taken to the institutions via the Administrative Council and the Directors of Business Affairs.

B. INSTITUTION

**High level roles**
Institutional Accounting

**High level responsibilities**
Establishes, documents and communicates institution-specific
Policies accounting and financial reporting policies.

Chart of Accounts Maintenance  Maintains institutional chart of accounts in accordance with OUS baseline charts and OUS policy on Chart of Accounts Administration.

Internal Control Monitor  Establishes and monitors effective internal controls at the institution level pertaining to accounting and financial reporting.

Systematically records transactions throughout the year in accordance with GAAP and System policies and procedures, follows year end closing procedures, prepares necessary Period 14 closing adjustments, and produces various reconciliations and reports at year end.

Monitoring and Review of Accounting and Financial Data Reviews accounting and other financial data for accuracy at the institutional level. Institutions will also research financial information on behalf of the CO and at the request of auditors and other stakeholders.

Reconciliations Performs ongoing reconciliations of subsidiary ledgers to the control accounting records.

External Audit Coordination Coordinates external audit of financial statements at the institutional level.

Prepares or assists in preparation of institutional cost accounting studies, possibly including preparation of facilities and administrative cost proposals to the Federal government.

Cost Accounting

Other Reports and Analysis Provides other reports and analyses as needed (for both external and internal purposes) that pertain to the financial status and activity of the institution.

Accounting and Financial Reporting Projects Leads or assists in projects to improve the accounting and financial reporting of OUS system-wide and OUS institutions.

Fact Book and Ad Hoc Report Production Produces and publishes ad hoc reports and selected financial data within the institution's respective fact books. This information is unaudited, and may include presentations that are inconsistent with the System's audited financials and the institutions' supplemental schedules.

.200 ANNUAL FINANCIAL STATEMENTS

The Chancellor's Office Controller's Division prepares the annual financial statements for the Oregon University System. The annual financial statements follow the fiscal year July 1- June 30, and are issued within six months of the end of each fiscal year. The financial statements are audited and presented to the State Board of Higher Education for their review and acceptance.

.205 FINANCIAL ACCOUNTING ENTITY

The OUS annual financial statements are prepared on a consolidated basis, and include all funds and accounts of Eastern Oregon University, Oregon Institute of Technology,
Oregon State University, Portland State University, Southern Oregon University, the University of Oregon, Western Oregon University and the Chancellor's Office.

The OUS annual financial statements also report the financial activity of university foundations based on the nature and significance of their relationship to OUS. These include Eastern Oregon University Foundation, Oregon Tech Foundation, Oregon State University Foundation, Portland State University Foundation, Southern Oregon University Foundation, University of Oregon Foundation, Western Oregon Development Foundation, and Agricultural Research Foundation. Financial activity of the foundations are reported on separate pages within the financial statement as discretely presented component units to emphasize that they are tax-exempt non-profit organizations legally separate from OUS.

The OUS annual financial statements do not include organizations that are not financially accountable to OUS institutions, such as booster and alumni organizations.

OUS is a part of the primary government of the State of Oregon and is included as a proprietary (enterprise) fund in the State of Oregon Comprehensive Annual Financial Report (CAFR).

.210 FINANCIAL ACCOUNTING & REPORTING STANDARDS

The OUS financial accounting records are maintained in accordance with generally accepted accounting principles (GAAP). GAAP is in the form of a hierarchy of Levels A, B, C and D, with the understanding that higher levels (e.g., GAAP Level A) take precedence over lower levels (e.g., GAAP Level D).

- OUS adheres to the accounting standards, principles and policies of the following organizations:

A. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

GASB was created in 1984 and is charged with the responsibility of establishing accounting principles for state and local governments, including government-controlled colleges and universities.

The OUS Controller's Division reviews the GASB Statements of Governmental Accounting Standards (GAAP Level A), and designs and communicates OUS accounting policies for implementing the GASB statements.

B. FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

FASB was created in 1973 and is the designated organization for establishing accounting and financial reporting standards for the private sector. OUS applies FASB Statements of Financial Accounting Standards (GAAP Level A) issued on or before November 30, 1989, unless those statements conflict with or contradict GASB standards. OUS also
applies the former Accounting Principles Board (APB) Opinions and the former Committee on Accounting Procedures (CAP) Accounting Research Bulletins, unless those standards are superseded by FASB or conflict with or contradict GASB standards.

GASB statement No. 20 provides the option of adopting FASB standards issued after November 30, 1989, except for those that conflict with or contradict GASB standards. OUS has chosen not to adopt this option.

C. AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

OUS follows the recommendations in the 1975 second edition of the AICPA Audits of Colleges and Universities (GAAP Level B), unless those recommendations conflict with or contradict GASB standards.

D. NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICES (NACUBO)

OUS follows the Financial Accounting and Reporting Manual for Higher Education (FARM) (GAAP Level D) published by NACUBO, unless those recommendations conflict with or contradict GASB standards.

E. STATE OF OREGON

The following State of Oregon references impact OUS's application of generally accepted accounting principles:

- Oregon Revised Statutes (ORS's), primarily Chapter 351 pertaining to Oregon Higher Education. ORS's are created by the State Legislature. The ORS's pertaining to accounting and financial issues impact the OUS financial accounting and financial reporting policies.
- Oregon Accounting Manual (OAM), issued by State of Oregon Department of Administrative Services (DAS). OUS is not required to follow the DAS OAM, but uses the manual as a reference for developing its financial accounting and financial reporting policies.
- Uniform Management of Institutional Funds Act (UMIFA) as adopted by the Oregon State Legislature. UMIFA governs the management and distribution of endowment funds and thereby affects the accounting of OUS investments.

F. FEDERAL GOVERNMENT OFFICE OF MANAGEMENT & BUDGET (OMB)

OUS follows the cost principles required by OMB Circular A-21, Cost Principles for Educational Institutions.

G. OREGON UNIVERSITY SYSTEM
The following OUS references impact application of generally accepted accounting principles:

- Oregon Administrative Rules (OARs), Chapter 580 - Chapter 580 OARs are created by the State Board of Higher Education (the Board) and published by the Secretary of State's Office after approval at public meetings. OAR 580-040-0005 delegates general supervision of fiscal and administrative activities to the Chancellor and designated staff and is the basis for preparing the OUS financial accounting and reporting policies.

- OUS Internal Management Directives (IMD's) - IMD's are created and issued by the Board and support specific components of the OUS financial accounting and reporting policies.

- OUS Fiscal Policy Manual (FPM) - The FPM is written and issued by the OUS Chancellor's Office and is used to record and communicate fiscal policies of the Chancellor's Office. The fiscal policies pertaining to financial accounting and reporting are issued by the Controller's Division.

.215 OFFICIAL ACCOUNTING RECORDS

- Banner Fixed Assets
- Accounts receivable records in the Banner Student Information System (SIS)
- Human resource and payroll records in the Banner Human Resources Information System (HRIS)
- Interim work which includes the review of the internal controls of each institution
- Information Technology (IT) work in reviewing the internal controls over IT as they relate to the annual financial statements and Federal grants and contract compliance
- OMB Circular A-133 compliance audit of Federal grants and contracts
- Financial statement work

- A closed accounting period with Banner FIS means that no additional accounting transactions may be recorded in that accounting period. Once an accounting period is closed, it may not be reopened, except in an extreme and unusual circumstance and requires approval of the Controller's Division.

1If the 10th of the month falls on a weekend or a holiday, the closing date is the closest workday that precedes the 10th.

.230 QUARTERLY CLOSING OF THE BOOKS

Quarterly closing of the books occurs with the closing of period 03 (September), period 06 (December), period 09 (March), and period 14 (June). The quarterly close becomes the basis for preparing the quarterly management reports presented to the Board.

.235 ANNUAL CLOSING OF THE BOOKS
The annual closing of the books is performed by each university from approximately July 12 through July 25. The annual closing of the books becomes the basis for the annual financial statements. Annual closing of the books instructions and associated due dates are developed and communicated by the Chancellor's Office Controller's Division.

.240 AUDIT OF ANNUAL FINANCIAL STATEMENTS

The OUS annual financial statements are audited by the Oregon Secretary of State Audits Division. The Audits Division may contract out the annual audit to an external CPA firm. The annual financial statement audit begins with an OUS-wide entrance phone conference between the Audits Division, the external audit firm, the Chancellor's office and the institutional business officers.

The annual financial statement audit is coordinated through the OUS Internal Audit Division and the Controller's Division. The scope of the annual financial statement audit includes:

- General policies for coordinating the annual audit include the following:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulation

.245 END OF FINANCIAL STATEMENT PROCESS

The annual financial statement audit ends with a presentation by the external audit firm to the Board of Higher Education.

.300 SYSTEM-WIDE CHART OF ACCOUNTS

The Chancellor's Office maintains a system-wide baseline chart of accounts to ensure uniformity of the financial accounting and reporting of the seven institutions and the Chancellor's office. Institutions are required to follow the system-wide baseline chart of accounts. For additional information, see OUS Fiscal Policy Manual section 05.110 pertaining to Chart of Accounts Administration.

.350 INTERNAL CONTROLS

Management at each institution and the Chancellor's Office is responsible for establishing and maintaining sufficient internal controls. Internal controls are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

In September 1992, the Committee of Sponsoring Organizations (COSO) of the Treadway Commission issued the "Internal Control - Integrated Framework" report. OUS uses the COSO model as a basis for designing sufficient controls over its financial accounting and reporting process. The COSO model includes five interrelated components:
A. CONTROL ENVIRONMENT

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Basic to the control environment are organization structure, assignment of authority and responsibility, and human resources policy. More difficult to quantify are ethics, commitment to competence, and management operating style.

B. RISK ASSESSMENT

Risk assessment is the identification and analysis of risks relevant to achievement of objectives, forming a basis for determining how the risk should be managed. Management's responsibility is to define compatible, relevant objectives and the risks related to achieving those objectives. Management should have a basis for determining which risks are most critical. Management is also responsible for ensuring mitigation of key operating risks.

C. CONTROL ACTIVITIES

Control activities are the policies and procedures that help ensure management directives are carried out.

Control activities reflect management's risk mitigation strategy in the form of directive, preventive and detective controls. Focus is on achieving effective and efficient resource usage as measured by the degree of achievement of control objectives. Control activities help ensure necessary actions are taken to address risks relevant to achievement of objectives. Examples are physical controls and segregation of duties.

D. INFORMATION AND COMMUNICATION

Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. Information systems deal with both internally generated data and information about external events, activities, and conditions. Communication involves providing an understanding of individual roles and responsibilities pertaining to internal control. Management is obligated to communicate the standards of measurement for evaluating operations. In other words, sufficient relevant communication promotes awareness of internal control objectives so employees understand how their individual actions interrelate and recognize how and for what they will be held accountable.

E. MONITORING

Monitoring is a process established by management that assesses the quality of internal control performance over time. Monitoring provides external oversight, either ongoing or
in the form of independent checks of internal controls by management or other parties outside the process.

**.400 UNIFORM AND CONSISTENT CODING OF ACCOUNTING TRANSACTIONS**

A financial entity the size of OUS, comprising seven institutions and a chancellor’s office, results in a large number of accounting transactions. A key to the accuracy of the accounting records is the correct coding of each accounting transaction. Each accounting transaction must be recorded to the correct fund and account. As need be, each accounting transaction must also be recorded to the correct codes applicable to that transaction, such as organization code, program code, bank code, asset type code, earnings code, etc.

Each institution and the Chancellor’s Office must have sufficient preventive and/or detective controls in place to ensure the correct uniform and consistent coding for like types of accounting transactions.

To help supplement each institution’s review of their accounting transactions, the Controller’s Division reviews summary accounting records four times each year, one month before the close of each quarter (as of August 31, November 30, February 28, and May 31). This form of monitoring searches for accounting transactions with incompatible fund and account codes. Results of the monitoring along with a requested institutional response are communicated to the institutional business offices on a quarterly basis.

**.450 OTHER FINANCIAL REPORTING**

Other financial reports prepared for external stakeholders include the following:

**A. SEFA REPORT**

The Schedule of Expenditures of Federal Awards (SEFA) is a State of Oregon report required by the Federal Government. The SEFA reports the annual expenditures made by State of Oregon agencies of Federal awards. The Controller’s Division prepares the SEFA for OUS on a consolidated basis. The OUS SEFA is forwarded to the Department of Administrative Services, who compiles the SEFA data from all state agencies into the SEFA for the State of Oregon.

The SEFA for the State of Oregon is issued by the Oregon Secretary of State Audits Division each year on February 28, eight months after the close of the fiscal year.

**B. IPEDS REPORT**

The Integrated Post-secondary Education Data System (IPEDS) is a system of surveys designed to collect data from all primary providers of post-secondary education. The Controller’s Division completes the portion of the annual IPEDS survey containing financial data of the OUS institutions and the Chancellor’s Office. Each institution
reviews the IPEDS data pertaining to its institution before data input to the IPEDS survey is finalized and closed.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and</td>
<td>Chancellor's Office</td>
</tr>
<tr>
<td>Chancellor's Office personnel</td>
<td>Controller's Division</td>
</tr>
</tbody>
</table>

.695 HISTORY

2/15/02 - Approved
10/15/03 - Reformatted
11/27/06 - Additions Approved

Policy Last Updated: 11/27/06

- APPENDIX

Appendix Last Updated: 10/15/03