

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Fiscal Affairs

NUMBER: 03.G.03

AREA: General Accounting

SUBJECT: Financial System Verification of Cost Center Transactions

1. PURPOSE

In order to minimize the risk of unauthorized use of funds and to ensure that revenues are properly recorded, entries in the financial system must be monitored monthly. This administrative memorandum sets general guidelines for universities to follow in developing cost center verification procedures.

2. POLICY

2.1. Each component of the University of Houston System shall develop procedures for monthly verification of transactions for each active cost center in the financial system against departmental records to ensure accuracy and propriety of the entries.

2.2. Cost centers are to be monitored each month through the preparation of a verification report. The reviewer's review and approval of the verification report must be documented.

2.3. A complete cost center verification includes:

a. Verification that transactions on the UGLS1074 report are accurate and in accordance with department records. Transactions include the following:

1. Revenue
2. Expense
3. Fund Equity
4. Budget Transactions
5. Open Commitments Balances
6. Soft Commitment Balances
7. Asset and Liability Transactions

Note: This does not apply to system-generated offsets to revenue and expense.

- b. Identification of transactions that appeared on a cost center in error and require a correction;
 - c. Preparation and transmittal of requests for corrections to the appropriate office; and
 - d. Completion, review, and approval of the verification report.
 - e. The component Controller or equivalent position may approve alternative verification procedures for institutional cost centers managed centrally by finance departments.
- 2.4. Monthly cost center verification reports must be verified by a unit administrator or designee who has first-hand knowledge of the transactions for that unit.
- 2.5. Each month, the verifier will document that he/she has completed the cost center verification. Verifications must be completed no more than 60 days after the close of the accounting period being verified.
- 2.6. In addition, the cost center manager or designee, who must be someone in higher authority than the person who performed the verifications and must be at the unit administrator level or higher, reviews and approves the transactions in the 1074 Verification Worksheets that were previously verified. Verifications and approvals must both be completed no more than 60 days after the close of an accounting period.
- 2.7. Verification reports, including evidence of review and approval by the responsible person, shall be filed or maintained electronically within each department and made available to internal auditors upon request. In addition, a list of transactions that appeared on the cost center in error and require a correction shall be maintained with the verification report. Verification reports, documentation of review and approval of those reports, and written delegations of authority related to the verification or review and approval process are to be retained for all periods of the current and previous fiscal year.
- 2.8. The UGLS1074 Verification Worksheet is an approved format for documenting cost center verifications and can serve as the verification report.
- 2.9. Cost centers that will no longer be utilized should be inactivated in accordance with component procedures, so they are removed from the list of cost centers to be verified. However, cost centers cannot be inactivated until all of the following conditions are true:
- a. All individual asset and liability account balances are zero;
 - b. The net total of all fund equity accounts is zero; and

- c. The cost center has no soft or open commitments.
- d. Original budget (base budget) is zero.

3. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Associate Vice Chancellor for Finance

Review: Every three years on or before August 31

4. APPROVAL

Approved: Jim McShan
Senior Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: December 2, 2016

REVISION LOG

Revision Number	Approved Date	Description of Changes
1	02/23/1996	Initial version
2	03/20/2000	Applied revised SAM template. Changed title and removed "verification" from policy to emphasize "reconciliation." Made minor redlines to Exhibits A, B, and C
3	04/23/2004	Applied revised SAM template. Changed title to "Financial System Verification of Cost Center Transactions." Rewrote entire procedure to emphasize cost center verification and remove the Financial Records System (FRS). Added Section 2.6 documentation on the UGLS1074 Verification Worksheet. Removed Exhibits A, B, and C
4	02/28/2007	Applied revised SAM template. Verification report retention period revised to be last period of previous fiscal year and most recent period of current fiscal year. Added Section 2.7 on cost center inactivation rules

Revision Number	Approved Date	Description of Changes
5	05/25/2011	Applied revised SAM template and added new revision log. In Section 2.4, Cost Center managers are now responsible for reviewing monthly cost center verification reports
6	10/08/2013	Added information on length of time between cost center verifications in Section 2.2. Added Section 2.3.e on alternative verification procedures. Added information on unit administrators verifying cost center verification reports in Section 2.4. Added Sections 2.5 and 2.6 on the process of verifications, including reviews and approvals at least twice each Fiscal Year. Additional documentation to retain was included in Section 2.7. Removed Section 5, Indexing Terms
7	06/20/2016	Changed Section 2.2 and 2.6 verification review deadline to once a quarter for the previous three accounting periods. Added information to Section 2.5 on completion of verification no more than 60 days after the close of the accounting period being verified. Removed information in Section 2.6 on transactions in 1074 Verification worksheets being reviewed and approved at least twice each fiscal year. Modified Section 2.7 about retaining documentation on verification of reports for all periods of the current and previous fiscal years. Added inactive condition information to Section 2.9 for cost centers to have no open or soft commitments, and the original budget (base budget) must be zero
8	12/02/2016	Modified Section 2.2 to remove specific verification information, and indicated the review and approval of the verification report must be documented. Modified Section 2.3.a to include types of department transactions. Revised Section 2.6 for verifications and approvals to be completed no later than 60 days after the close of an accounting period. Made minor revision to Section 2.7 for verification reports to be filed or maintained electronically within each department