

**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 its 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 should be documented.
- 2.3. A complete cost center verification includes:
 - a. Verification that transactions on the UGLS1074 report, which include all revenue, expense, fund equity, and budget transactions, open commitment and soft commitment balances, and asset and liability transactions that were entered manually into the system (i.e., not system-generated offsets to revenue and expense), are accurate and in accordance with department records;
 - 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.

- 2.4. Program managers are responsible for reviewing monthly verification reports for non-project cost centers and project managers are responsible for reviewing verification reports for project cost centers. This responsibility may be delegated under conditions deemed appropriate by each campus.
- 2.5. Verification reports, including evidence of review and approval by the responsible person, shall be filed or maintained electronically at the 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 are to be retained for the last period of the previous fiscal year (period 998) and for all periods in the current fiscal year.
- 2.6. The UGLS1074 Verification Worksheet is an approved format for documenting cost center verifications and can serve as the verification report.
- 2.7. 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 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 open commitments.

3. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Finance

Review: Every three years before August 31.

4. APPROVAL

Approved: John Rudley
Vice Chancellor for Administration and Finance

Jay Gogue
Chancellor

Effective Date: February 28, 2007

5. INDEXING TERMS

Cost Center Verification
Financial System