

MONITORING OF FINANCIAL TRANSACTIONS

Objective: To determine whether 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.

Risk Level/Potential Impact: High; Results in overspending, misstatement of institution financial statements, and/or misappropriation of funds.

Criteria: Board of Regents' (BOR) Business Procedures Manual (BPM); Institutional policies and procedures; Best business practices.

Frequently Observed Weaknesses/Deficiencies:

- Inadequate segregation of duties.
- Lack of compensating controls.
- Failure to reconcile all account codes.
- Insufficient monitoring of financial activity and review of account reconciliations.

Helpful Tools:

- PeopleSoft Comprehensive Financial Report
- PeopleSoft Budget Transaction Detail Report
- Appropriation Status/Organization Budget Status Report
- Revenue Estimate Budget Status Report
- PeopleSoft Query Training
- HR Training and Education Courses
- GRU Controller's Office – <http://www.gru.edu/finance/controller>

GRU Contact Office and Information Resource(s): Office of the Controller, (706) 721-6297.

Best Business Practices:

1. Designate an individual with the responsibility of identifying departmental accounts and designing appropriate monitoring and reconciling processes.
2. Ensure that all departmental accounts are captured.
3. Reconcile all departmental accounts and maintain proof of reconciliation 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 or compensating controls exist.
 - Functions are divided so that one person does not have control over all aspects of a transaction: authorization, custody, record keeping, and reconciliation.
 - The employee reviewing and approving financial transactions should not be the individual reconciling accounts. 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 chairman or appropriate level of management.
 - The employee collecting monies should not be performing departmental reconciliations. 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 chairman 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 when detected.
8. Ensure appropriate level of management approves (signs-off) the reconciliation.

Case Scenario: Ms. Smith, the department administrator, approves and tracks check requests for the department; performs the reconciliation of the expense account; and files the reconciliation in her office. No one else reviews and/or approves the monthly reconciliation. 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 wrong doing? How is the department head ensuring accuracy and appropriateness?

Case Scenario Answer: There are no internal controls for detecting wrong doing because Ms. Smith has complete access/control. There are no existing compensating controls to prevent wrong doing resulting from inadequate segregation of duties. Additionally, the department head is not verifying the financial status of the department because he/she

MONITORING OF FINANCIAL TRANSACTIONS

| <u>Self-Assessment of Internal Controls for Monitoring of Financial Transactions</u> | <u>Yes</u> | <u>No</u> | <u>N/A</u> | <u>Comments</u> |
|--|------------|-----------|------------|-----------------|
| Does the department/unit have a designated individual to reconcile revenue and expenditures to PeopleSoft? | | | | |
| Are all account codes reconciled? | | | | |
| Are all departmental accounts reconciled to PeopleSoft at least monthly? | | | | |
| Are reconciliations reviewed by someone other than the preparer? (preferably the chairman or Principal Investigator) | | | | |
| Do you research and correct errors? | | | | |
| Are errors corrected in a timely manner? | | | | |
| Is the individual who reviews and approves financial transactions different from the individual who reconciles monthly financial reports? | | | | |
| Does the reviewer approve (sign-off on) the reconciliation? | | | | |
| Is the monthly reconciliation documented? | | | | |
| Are routine expenditures monitored for unusual trends? | | | | |
| Are financial reconciliations and supporting documents retained for the appropriate time period as prescribed by institutional and BOR policies? Records Management: http://www.usg.edu/records_management/ | | | | |