



University of California Santa Barbara
Office of the Controller

Guidelines
for
Financial Management

(Revised 2/02)

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Accountability

Accountability for financial control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review business transactions and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Each department has the responsibility and is accountable for managing the resources it administers on behalf of the University.

The department head may delegate the overall financial management responsibility to the Business Officer. Delegating authority does not relieve the department head of accountability for activities under his/her direction. The Business Officer is responsible for developing an appropriate structure for handling the department's financial resources. This will involve delegating a variety of tasks to employees within the unit.

Each department head shall be responsible for developing an accountability structure that adheres to the following Principles and Responsibilities.

I. Principles

- A. A person cannot delegate greater accountability than they have been delegated.
- B. Individuals who delegate authority are responsible for ensuring the employees to whom they delegate are qualified and are properly fulfilling their responsibilities. Qualified individuals:
 - 1. are actively involved in the tasks being performed,
 - 2. have the appropriate knowledge and technical skills to perform those tasks, including knowledge of relevant regulations and policies, and
 - 3. have been provided sufficient authority to fulfill their responsibilities without being subject to disciplinary action.
- C. A person who delegates tasks must keep a secure, up-to-date record of those delegations as well as modifications to them. A Department Security Administrator (DSA) should be designated to maintain this record.
- D. A second person shall be assigned to review each financial transaction on a timely basis to ensure that the Preparer has properly fulfilled his/her responsibilities.

- E. The department head is responsible for reviewing the effectiveness of the accountability structure.

II. Responsibilities

The accountability structure and delegations must maintain appropriate internal financial controls. This includes maintaining separation of duties when preparing and reviewing budgetary or financial transactions. It is recommended that both a Preparer and a Reviewer are involved in each budgetary or financial transaction.

- A. A **Primary Preparer** must understand all relevant regulatory requirements, UCSB policies and procedures, as well as the purpose of each transaction in order to:
1. enter accurate data into all fields on a transaction document,
 2. record an accurate and thorough explanation of each transaction,
 3. comply with basic policy and other requirements, and
 4. forward the completed transaction, with any supporting documents, to a Reviewer.
- B. A **Mandatory Reviewer** must:
1. review all transactions on a timely basis,
 2. inspect each transaction to ensure the Preparer properly fulfilled their responsibilities,
 3. ensure that each transaction complies with policy and other requirements, and
 4. resolve all questions that arise with a transaction.
- C. A **Back-up Preparer/Reviewer** is the trained substitute. Having a back-up Preparer and Reviewer is important not only to cover absences of the Primary Preparer or Mandatory Reviewer, but also to prevent someone from changing or updating his/her own record.

REFERENCES

Accounting Services and Controls
(805) 893-8593
<http://www.accounting.ucsb.edu>

Audit Services
(805) 893-2829
<http://www.audit.ucsb.edu>

UCSB Policy 5101, Accountability and Internal Control
<http://www.policy.ucsb.edu/vcas/accounting/accounting-policies.html>

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Conflict of Interest

The University's overall policy on conflict of interest specifies that none of its faculty, staff, managers, and officials shall engage in any activities which place them in a conflict of interest between their official activities and any other interest or obligation. It requires that all University employees disqualify themselves from participating in a University decision when a financial conflict of interest is present.

University officials are responsible for ensuring the University's teaching, research, and service is conducted with integrity in an open, uncompromised environment.

I. Principles

- A. Teaching, research, and public service performed by UCSB employees are to be conducted in an atmosphere that is free of conflicts of interest.
- B. Outside activities should be closely reviewed by an independent party to assure the integrity and objectivity of all employees in performance of their University obligations are protected.
- C. Each unit must maintain a reasonable balance between competing interests and providing a mechanism to help maintain research integrity, protect student interests, and foster an open academic environment.
- D. The reporting of financial interests and the withdrawal from decision making shall be consistent with the University's Conflict of Interest Code and the State of California's Political Reform Act of 1974. (See *UCOP Information Practices and Conflict of Interest and the Political Reform Act Disqualification Requirements brochure published by UCOP, July 1, 1999.*)

II. Responsibilities

- A. Designated officials, by definition hold positions the University or the Fair Political Practices Commission (FFPC) has identified as having the potential for decision making that could give rise to financial conflict of interest. In addition to being subject to the Act's disqualification requirements, a designated official must file as public documents, financial disclosure statements upon assuming or leaving a designated position and annually while holding the position. (See the "*Fair Political Practices Commission Form 700 - Statement of Economic Interest.*")

- B. All employees should not purchase, lease, and/or contract for goods and services from any University employee or near relatives unless the Purchasing department has determined that goods or services are not available from any other readily available sources.
- C. If an employee has an interest in a contract (an investment or interest in real property, or the rendering of goods or services totaling \$1,000 or more) the employee must disqualify him/herself from making or participating in the making of a decision that may affect the interest.

Please note:

Conflict of Interest as it relates to Sponsored Projects and research is not included in the above material. For research related Conflict of Interest, please contact the Coordinator for Academic Conflict of Interest in the Office of Research.

REFERENCES – Research Related Conflict of Interest

UC Regents Standing Order 103.1b, Service Obligations
<http://www.ucop.edu/regents/bylaws/so1031.html>

Circular No. D.1., Policy on Disclosure of Financial Interests Related to Sponsored Projects
<http://research.ucsb.edu/policy/policy1.shtml>

REFERENCES

Administrative Services, Coordinator for general Conflict of Interest
(805) 893-2770

UCSB Policy 5005, Conflict of Interest
http://www.policy.ucsb.edu/vcas/admin-serv/5005_conflict_of_interest.html

UCSB Policy 5005, Conflict of Interest: Attachment A - Compendium
http://www.policy.ucsb.edu/vcas/admin-serv/5005_attach_a.html

UCOP Information Practices and Conflict of Interest and the Political Reform Act Disqualification Requirements brochure published by UCOP, 7/1/99
<http://www.ucop.edu/ogc/coi/econinterest.html>

Data Integrity

Financial management decisions affect every aspect of the University. Accurate data is critical to the decision making process. Consequently, each department must establish and implement a system to ensure data integrity. This system must provide reasonable assurance that transactions are in accordance with management's authorization and are recorded in the University records in an accurate and timely manner.

Each department head shall be responsible for developing a system that adheres to the following Principles and Responsibilities.

I. Principles

- A. An adequate data control system including independent checks and balances must exist within and between operating units.
- B. All employees engaged in financial management activities must ensure that adequate data controls are being employed. If they are not, all employees must take an active role in developing and implementing appropriate corrective actions.
- C. Each unit must ensure that recorded assets match actual existing assets. A mechanism must be in place to spot discrepancies and to ensure that corrective actions are taken.
- D. Each unit must ensure that all financial transactions are recorded correctly. Correct transactions must:
 1. reflect the actual values involved,
 2. contain sufficient detail for proper identification and classification,
 3. be posted on a timely basis in the proper accounting period,
 4. be stored securely,
 5. be readily retrievable for inquiry or reporting, and
 6. be safeguarded against improper alteration.
- E. All systems that affect or are used to report financial data must be secure, reliable, and accessible. These systems must be designed, documented, and maintained according to accepted development and implementation standards. They should be built upon sound data models and employ technology that allows data to be shared appropriately.

- F. All financial systems should meet the users' needs. In addition, all interfaces affecting any financial system must contain controls to ensure the data is synchronized and reconciled.
- G. All technical networks, including electronic mail, through which departmental users access University financial data must be reliable, stable, and secure.

II. Responsibilities

A. Establishing and Monitoring Data Integrity Controls

A system of integrity:

1. allows no one individual complete control over all key processing functions for any financial transactions. Such functions include:
 - a. recording transactions into the Financial System directly or through an interfacing system,
 - b. authorizing transactions,
 - c. receiving or disbursing funds,
 - d. reconciling financial system transactions, and
 - e. recording corrections or adjustments.

If insufficient personnel within the unit requires that one person perform all of these functions, the unit must assign a second person to review the work for accuracy, timeliness, and honesty.

2. ensures that all employees who prepare financial transactions provide adequate descriptions, explanations, and back-up documentation sufficient to support post-authorization review and any internal or external audit.
3. keeps "office of record" documents (both forms and new paperless transactions) physically secure and readily retrievable. These documents must be retained for the periods specified in the University Records Disposition Schedules Manual. (See <http://www.abs.uci.edu/depts/mailrec/uci-ppm/procs/700/721-11a.html>)
4. ensures that staff reconcile transactions appearing on the general ledger on a monthly basis.
 - a. All transactions must be verified for:
 - 1) amount,

- 2) account classification,
 - 3) description, and
 - 4) proper accounting period.
- b. All reconciliations must be performed in a timely manner.
5. uses exception reporting, variance analysis, and other mechanisms to monitor, review, and reconcile financial activity to ensure:
- a. employees are adequately trained in preparing and processing financial transactions,
 - b. transactions and balances that exceed control thresholds or are exceptions to policies, regulations or laws, are questioned and thoroughly analyzed, with corrections or adjustments fully documented and processed in a timely manner,
 - c. locally generated reports do not distort or misrepresent the source data used to prepare them. In particular, one must be able to reconcile reports back to the original data, as it appears in the Financial System,
 - d. all unit assets are properly described and accounted for in the Financial System or other 'official books of record,' and
 - e. actual physical assets are compared to recorded assets in the Financial System and discrepancies are resolved in a timely manner.
6. encourages all employees to report any break down or compromise in the unit's data integrity without fear of reprisal.

B. Establishing and Maintaining a Reliable Financial Computing Environment

A reliable financial computing environment includes the following components:

1. a long-term administrative computing plan following a thorough assessment of all major business processing and data needs. The plan defines the technical infrastructure and each of the system projects required to meet the unit's needs for the next three years. The plan should be updated annually.
2. a unit is staffed with enough experienced and well-trained technical professionals to meet the unit's computing needs.
3. the following steps in developing and initiating computing projects:

- a. Project Initiation
 - 1) gaining appropriate administrative approval
 - 2) defining the nature, scope, benefits, risks, priorities, timing, and most likely development and implementation method for the project
 - 3) identifying areas and individuals affected by the project
 - 4) anticipating staffing, equipment, and other requirements
 - 5) determining funding requirements and funding sources for the project
 - b. Analysis and Design
 - 1) identifying the functional, informational and technical requirements of the proposed system
 - 2) using data models or similar tools to ensure that the systems will be developed separate from the data, data redundancy will be minimized, and overall referential integrity will be satisfied
 - c. Acquiring Hardware and Software
This involves a written proposal when significant hardware and software purchases are being requested. Such proposals should always cross reference specific projects defined in the long-term administrative computing plan.
 - d. Implementation
 - 1) developing a detailed project plan that identifies all tasks that need to be completed, who will do them and when they will be done
 - 2) ensuring that all aspects of the project will adhere to central data administrative standards
 - 3) testing to ensure the new system interfaces smoothly with other systems, and that audits, controls, and checkpoints function properly
 - 4) naming a project coordinator, if the complexity of the project warrants it
 - e. Post Audit
Once operational, the unit responsible for the new system must ensure the level of service provided to the users is satisfactory and that proper maintenance, backup and recovery systems are in place.
4. Ensure that no completed system becomes operational unless an appropriate level of service to its users is in place. The minimum requirements include:
- a. availability. The system must be available when the users need it.

- b. data access. The system must provide access to data in ways that are timely, compliment work flow processes, and are retained as specified in the University Records Management Disposition Schedules.
 - c. performance. The system must meet user's performance needs.
 - d. support. Users must receive training and documentation and have individuals to contact to help resolve problems.
 - e. maintenance. The system must provide reliable service, and should be upgraded as technology or user needs change.
 - f. security. Access to the system must be protected by user IDs and passwords. The system must also be protected from theft and vandalism.
5. Ensure that technical considerations are fully addressed.
- a. Connectivity. If several campus units use the new system, it should operate through the campus backbone network. It should also support the primary communication protocol for UCSB and UC computing.
 - b. Hardware. Hardware purchases should be evaluated with several criteria in mind, including:
 - 1) connectivity,
 - 2) performance,
 - 3) reliability,
 - 4) ease of maintenance,
 - 5) efficiency, and
 - 6) availability of software.
 - c. Software. Software purchases should also be evaluated with several criteria in mind.
 - 1) The choice of operating system should consider such issues as connectivity, consistency of user interfaces, vendor support, and ease of application interfaces.
 - 2) UCSB administrative applications should be based on relational databases.
 - 3) The selection of a programming language should depend upon code availability, performance, staff skills, development time, interoperability, long-term vendor support, and how well the programs will work with existing programs.
 - d. User Interface. Administrative applications should provide a standard, consistent, and friendly user interface incorporating

screen appearance, navigation procedures, menu selections, function keys, colors, messages, on-line help, and terminology.

REFERENCES

Information Systems and Computing
(805) 893-2261
<http://www.isc.ucsb.edu/>

Office of the Controller
(805) 893-7667
<http://controller.ucsb.edu>

UC Records Management Disposition Schedules
<http://www.abs.uci.edu/depts/mailrec/uci-ppm/procs/700/721-11a.html>

Financial Management

Each department on campus requires financial resources in order to perform its role in the University's mission of research, teaching, and public service.

Each department head is responsible for ensuring their department's financial resources are managed in an efficient and cost-effective manner consistent with the intended purpose of the funds. As stewards of the University, department management has a fiduciary responsibility to adhere to agency requirements and donor intent.

Each department head shall adopt the following Principles and Responsibilities to ensure sound financial management.

I. Principles

- A. A budget must be established to provide a tool to:
 - 1. measure current financial performance,
 - 2. discover significant transaction errors, and
 - 3. detect substantial changes in circumstances or business conditions.
- B. A budget must be realistic, reasonable, and attainable.
- C. A budget must be based on a thorough analysis, including:
 - 1. an understanding of the budget's purpose and how it relates to the department's mission, goals, and objectives,
 - 2. a comprehensive assessment of the unit's financial needs in order to fulfill its goals, and
 - 3. a plan to increase resources or modify goals and objectives, if current resources fall short of meeting a unit's needs.
- D. Actual financial results must be compared to the budget on a regular basis. This will:
 - 1. detect changes in circumstances or the business environment,
 - 2. discover transaction errors,
 - 3. measure financial performance,

4. ensure unnecessary costs are being avoided,
 5. ensure that expenditures are reasonable and necessary to accomplish the unit's goals, and
 6. ensure transactions are adequately supported.
- E. When actual financial results vary significantly from the budget, a department manager must evaluate the activity and determine the cause, and, if necessary, take corrective action.
- F. Departments must not overspend their budget.
- G. All expenditures must comply with all relevant policies, rules and regulations, and contract and grant terms.
- H. Each unit must evaluate the financial consequences before a new activity is started or a current activity is changed or eliminated.
- I. Each unit must ensure that the anticipated benefits are commensurate with the costs for any planned or ongoing activities.
- J. Each unit must provide adequate safeguards to protect against the loss or unauthorized use of University assets.

II. Responsibilities

A. Planning and Budgeting

1. All planning and budgeting must include:
 - a. a mission statement with goals and objectives for each unit. This statement should be simple, attainable, and include measurable goals. It must be specific enough to be integrated into the overall planning and budgeting process.
 - b. a thorough process for identifying, implementing, and evaluating activities required to achieve the unit's goals which are based on prudent and supportable projections which have taken into account the needs and impact on certain key factors such as:
 - 1) student enrollment,
 - 2) supporting and auxiliary services required,
 - 3) space, equipment and supplies requirements,
 - 4) salaries and benefits,
 - 5) anticipated revenues,
 - 6) capital expenditures that are not included in the campus master plan, and
 - 7) interdependency among units.

- c. consistent use of proven methods for gathering and analyzing data,
- d. sufficient detail and descriptive narration to clearly portray how all of the unit's operations are being financed, including:
 - 1) all funding sources,
 - 2) revenue estimates,
 - 3) major expenditures by category,
 - 4) major assumptions and forecasting methods used,
 - 5) significant changes in current activities, and
 - 6) contingency plans.
- e. a cash management plan to maximize the cash resources available to the University, and
- f. a thorough re-evaluation of all assumptions, analyses, plans and budgets used in the previous year's planning and budgeting process. Since goals and objectives may change from year to year, all data feeding into current plans and budgets must be reevaluated each year to ensure that they reflect today's environment.

B. Monitoring and Evaluating Financial Data

All systems for monitoring and evaluating financial data must include:

1. monthly financial reports that are appropriate and accurate. These reports must:
 - a. be clear, concise, and detailed,
 - b. detail all sources of revenue and expenditure,
 - c. provide budget versus actual comparisons,
 - d. clearly identify trends and special areas of concern, and
 - e. highlight exception items.
2. a method for reviewing revenue and expenses at the end of each ledger cycle.
 - a. If such a review reveals problems or exceptions, appropriate action must be taken before the next cycle ends.
 - b. If reporting exceptions continue to occur, control procedures must be implemented to correct the situation.

3. A monthly sampling of financial transactions. The sampling must be large enough to ensure:
 - a. posting to the proper full accounting units,
 - b. adherence to terms, conditions, and restrictions imposed by University policy or external funding sources,
 - c. names appearing on salary and benefit transactions are valid and appropriate,
 - d. salaries reconcile to time sheet records, and
 - e. other expenditures are appropriate and include adequate supporting documentation.
4. For each significant deviation, an examination must be completed to determine the cause. These include:
 - a. deviations from policies or regulations,
 - b. deliberate decisions to depart from the budget,
 - c. transaction errors, or
 - d. misuse of authority.
5. A method for taking corrective actions such as:
 - a. revising plans or budgets to reflect changed circumstances,
 - b. changing or eliminating activities,
 - c. obtaining additional funding,
 - d. modifying goals or objectives,
 - e. correcting transaction errors,
 - f. altering future budget assumptions,
 - g. implementing new control procedures, or
 - h. documenting managerial decisions that depart from the budget.

6. Documentation of the corrective actions to include:
 - a. how the budget was revised,
 - b. what accounts were affected,
 - c. when the actions were taken, and
 - d. who authorized the actions.

C. Analyzing Costs, Benefits, and Risks

Management must weigh the costs and risks before deciding to significantly add, change, or eliminate activities. This analysis should include a formal proposal identifying:

1. a clear statement of purpose,
2. a quantified statement of benefits to the unit, the University and any outside interests,
3. references to previous similar proposals,
4. references to other related activities and to other units that will be affected,
5. a thorough quantification of all direct and indirect costs, FTE counts, space needs, and capital expenditures,
6. anticipated funding sources,
7. potential problems,
8. significant underlying assumptions, and
9. identification and assessment of all financial, service and organizational risks to the unit and to the University.

D. Safeguarding University Assets

University assets must be safeguarded from loss or unauthorized use. Adequate safeguards include:

1. All cash, checks, or cash equivalents in excess of \$500 are to be deposited on the day they are received. If the cash, checks and equivalents are not deposited on the same day, departments must meet safe requirement standards as per Business and Finance Bulletin BUS – 49, Policy for Handling Cash and Cash Equivalents. If safe

- requirements are not met, departments must deposit cash in excess of \$500 immediately.
2. If a department receives cash and/or equivalents that cannot be readily identified for a purpose, the department needs to contact Accounting Services and Controls for direction.
 3. All cash shortages and excesses must be promptly reported to a supervisor who must investigate them immediately.
 4. All petty cash and change funds must be authorized by Business Services. Once established:
 - a. only one employee is charged with managing such funds, and
 - b. a second employee must monitor and review the fund to ensure honest and accurate disbursement.
 5. A physical inventory of all equipment must be conducted on an annual basis. All discrepancies must be promptly reported and investigated.
 6. Adjustments to asset records must be documented and approved.
 7. Access to any forms or on-line systems that can be used to alter financial balances must be restricted to only those employees requiring such access to perform their University duties.
 8. Delinquent account balances must be carefully examined and all follow-up collection or write-off actions must be completed in a timely manner.

REFERENCES

Accounting Services & Controls
(805) 893-8593
<http://www.accounting.ucsb.edu>

Audit Services
(805) 893-2829
<http://www.audit.ucsb.edu>

Office of Budget & Planning
<http://bap.ucsb.edu/>

UC Business and Finance Bulletin BUS - 49, Policy for Handling Cash and Cash Equivalents
<http://www.ucop.edu/ucophome/policies/bfb/bus49toc.html>

Principles of Regulatory Compliance

Every employee who conducts transactions affecting University funds must comply with all applicable laws, regulations, and special restrictions.

Each department shall adopt the following Principles and Responsibilities.

I. Principles

- A. Individuals conducting business transactions shall be personally responsible and subject to punitive actions resulting from intentional violations of laws or misuse of University resources.
- B. Anyone who is aware of fraudulent or illegal business transactions conducted in the name of the University shall report them immediately.
- C. Each unit is responsible for the restitution of any disallowances due to noncompliance with laws, regulations, or special restrictions.
- D. Every employee conducting University business is responsible for complying with applicable legal and regulatory requirements.
- E. Legal and regulatory requirements, as well as any donor-imposed restrictions, shall be maintained on record with the University and be readily accessible.

II. Responsibilities

A. Financial Reporting

Financial reporting in compliance with regulatory requirements requires:

- 1. following Generally Accepted Accounting Practices (GAAP), Financial Accounting Standards Board (FASB) Statements, Governmental Accounting Standard Board (GASB) Statements, and Cost Accounting Standards Board (CASB) Statements.

The following are basic requirements of these standards applicable to UCSB:

- a. sources and uses of funds must be aggregated by the type of activity they support, and in accordance with any restrictions imposed on their use
- b. revenue is reported when earned, and expenditures are reported when goods or services are received

- 1) In general, revenue is earned when the University provides goods or services; for example, on a cost-reimbursement research grant, revenue is earned as the costs are incurred for the conduct of the research.
 - 2) Likewise, expenses are incurred as the University uses goods or services; for example, when laboratory supplies are received, the University incurs the expense.
- c. accounting principles must be applied consistently, both within fiscal years and between fiscal years. Accounting Services and Controls is charged with promoting the consistent, University-wide application of these accounting principles.
 - d. transactions must be classified and recorded consistently.
 - e. revenue and expenses must be recorded in the proper accounting period
2. reporting to sponsoring entities according to the specific reporting requirements. In general, most sponsoring entities require adherence to GAAP. Additionally, federal agencies and entities which serve as conduits for federal funds require adherence to either Office of Management and Budget Circulars (OMB) and/or Federal Acquisition Regulations (FAR). Two primary circulars are:
 - a. OMB Circular A-21, which provides the cost principles for educational institutions. These principles define allowable costs as those which are reasonable, allocable, consistently treated, and in conformance with any special limitations. Circular A-21 also defines direct versus indirect costs, and provides guidelines for calculating indirect costs.
 - b. OMB Circular A-110, which provides uniform administrative requirements for grants and other agreements with institutions of higher education, including financial reporting requirements.
 3. making all financial reporting systems open to regular internal and external audits. The annual financial and A-133 audit is coordinated by the Controller; all other external audits are coordinated by the Director of Audit Services.

B. Records Retention

1. Administrative records are the property of the Regents and may not be permanently removed from the University or destroyed except in accordance with disposition schedules established by the Records Management Committee.
2. Please refer to the Records Management Disposition Schedules for guidance in administering the retention or disposition of records.

C. Cash Management Requirements

1. Excess balances of federal funds shall not be maintained.
2. Any interest earned on federal cash balances must be remitted to the Federal Government by Accounting Services and Controls.
3. Approval for new bank accounts must be obtained from the UC Treasurer's Office, through Accounting Services & Controls.

D. Expenditures

Regulatory requirements specify:

1. all employees behave ethically when conducting University business.
2. the use of vendors which are small businesses and businesses owned by women, minorities, and disabled veterans is encouraged.
3. federal restrictions are followed, including:
 - a. federal funds cannot be used to support political activities of any kind,
 - b. no person shall be excluded from or discriminated against because of race, color, national origin, sex, age or physical impairment,
 - c. no officer, employee or agent shall be involved in a contract where s/he or their immediate family or partner has a vested interest, and
 - d. accepting bribes to secure contracts is prohibited.
4. all University Human Resource policies and regulations are followed.

5. When purchasing goods and services for the University, the following additional requirements apply:
 - a. Only the Purchasing Manager, authorized buyers, or specified University employees with a formal delegation may execute agreements or contracts. For example:
 - 1) real estate and construction projects,
 - 2) the services of independent consultants,
 - 3) legal services,
 - 4) debt service, or
 - 5) any purchase where payment terms exceed seven years.
 - b. The authority to purchase goods and services with a value under \$2,500 does not provide the authority to issue, approve or execute contracts and licenses.
 - c. Any person who makes unauthorized purchases may be responsible for the payment of all charges incurred.
 - d. Departments have low value authorization limits between \$500 and \$2,500. Purchases exceeding those limits, or any *equipment* purchase, must be conducted through the Purchasing department. The Purchasing department must maintain documentation of solicitations made to vendors, vendor responses, sole source justifications, and the contracts awarded.
 - e. Goods and services for individuals or for non-University activities shall not be made using University credit, purchasing power or facilities. If purchased items appear to be of a personal nature, they must be properly documented.
 - f. When pooled purchase orders or commodity agreements exist, goods and services shall not be purchased from other sources, unless special delivery dates or unusual specifications preclude the use of these sources.
 - g. Purchases cannot restrict fair trade practices.
 - h. Contractors must pay laborers and mechanics employed by them at wages no less than the prevailing wage rate, as defined by the Secretary of Labor.
 - i. Unnecessary or redundant purchases must be avoided.
6. Equipment purchased with funds from federal awards involves the following additional requirements as specified in OMB Circular A-110:

- a. a description of such assets be maintained in the University's equipment inventory records,
- b. a physical inventory be conducted at least once every two years,
- c. property owned by the federal government be identified as such,
- d. people responsible for federally-owned equipment know the basic requirements for the use and disposition of such equipment, and
- e. a department inventory report must be reviewed and submitted annually.

E. Tax Laws and Regulations.

To comply with tax regulations, appropriate personnel must be informed of the various taxing authority requirements applicable to their operations. In general, taxes applicable to University operations include:

1. Income tax on income producing activities which constitute a regularly carried on trade or business that is not related to promoting educational activities. Consequently, employees who are engaged in such activities must:
 - a. maintain information that supports whether or not a particular activity is subject to income tax,
 - b. notify Accounting Services and Controls of any income taxable activities and complete the various questionnaires and worksheets prescribed by Accounting Services and Controls, and
 - c. account for all taxable unrelated business income earned and report to Accounting Services and Controls.
2. Sales and use tax on certain sale and purchase transactions as required by the California State Board of Equalization. Purchases made for resale are generally exempt in cases where the seller obtains evidence from the purchaser such as a certificate of resale. Otherwise:
 - a. units that conduct sales activities must charge sales tax and properly account for sales tax collected by coding related deposits against sales tax payable account numbers designated by Accounting Services and Controls, and
 - b. units making purchases must include a provision for such taxes when making orders. Further, they must ensure these payments

have been included on their invoice payments or through other charging methods used by the Accounting Services and Controls which is responsible for the actual filing and remitting of sales and use tax payments.

3. Federal and State income taxes assessed on University employee base salary and wages, supplemental pay, undocumented reimbursements, and various allowances (such as car and housing) in accordance with the Internal Revenue Code and California Revenue and Taxation Code. In this process:
 - a. Accounting Services & Controls, Payroll unit is responsible for withholding taxes on compensation based upon the individual W-4 Federal and State Withholding Allowance Certificates on file. They are also responsible for remitting the actual tax payments to the Federal and State governments, completing the required quarterly tax returns, and for distributing W-2 Wage and Tax Statements to employees, and
 - b. units on campus are responsible for submitting accurate and timely data to the Payroll unit for the completion of these forms, and the determination of whether individuals are to be considered employees or contractors for tax purposes.
4. Other important tax considerations:
 - a. Income paid to payees outside the University (such as payment of fees, commission, rents, and royalties) or University employees (such as payment of prizes and awards) must be accumulated and reported as taxable income. In this process:
 1. units must provide tax identification numbers when processing these types of payment transactions, and
 2. Accounting Services & Controls is responsible for reporting this information to the payees via annual reporting forms such as the 1099, W-2, or 1042S.
 - b. The University is generally exempt from paying property taxes. When necessary, Accounting Services & Controls will file the exemption reports and claims to receive refunds of such taxes paid on leased property.

F. Reporting Fraudulent or Illegal Acts

1. Individuals conducting business on behalf of the University are personally responsible for the consequences of any violations of laws or misuse of University resources.

2. Individuals conducting business on behalf of the University must do so for the benefit of the University. Where a potential for personal gain exists, potential conflicts of interest must be reported immediately to Administrative Services or the Office of Research, and be carefully evaluated before any financial transactions occur.
3. Individuals conducting business on behalf of the University must not benefit financially in any way from the conduct or course of that business. This includes any personal benefit accruing to a close relative.
4. Any person who suspects that fraud or illegal activities are taking place in their unit must report that suspicion immediately to their supervisor. If the employee believes that this supervisor is involved, or is otherwise uncomfortable reporting in this manner, they must immediately notify Audit Services. Supervisors to whom such reports are made must review them, and if they have merit, report them to the next level of management or to Audit Services. Please refer to [UCSB Policy 5700, Procedure for Reporting and Reviewing Defalcations.](#)

G. Response and Resolution of Internal and External Audit Findings

The Controller coordinates the response for the annual financial and A-133 audit. The Director of Audit Services coordinates the responses for all other external audits.

1. The Director of Audit Services must be notified prior to commencement of any audit or review.
2. A full investigation of the facts must be conducted to ensure accuracy of any findings.
 - a. If a finding is in error, full documentation must be sent immediately to the Director of Audit Services.
 - b. If a finding is valid, corrective action must be taken immediately to correct the deficiency and ensure the situation does not recur.
 - c. Where findings result in disallowances, units must fund the disallowances with other fund sources. If a unit does not take prompt action, Accounting Services & Controls will take action.

Where findings result in extrapolated disallowances, Campus administration will review the circumstances and decide upon an appropriate allocation of the disallowance.

REFERENCES

Accounting Services and Controls

(805) 893-8593

<http://www.accounting.ucsb.edu>

Audit Services

(805) 893-2829

<http://www.audit.ucsb.edu>

UC Accounting Manual - Credit and Debit Card Program

<http://www.ucop.edu/ucophome/policies/acctman/c-173-85.pdf>

UC Records Management Disposition Schedules

<http://www.abs.uci.edu/depts/mailrec/uci-ppm/procs/700/721-11a.html>

What is Internal Control?

Internal Control refers to the processes and procedures designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding assets.

Internal Controls Are Everyone's Responsibility

Managers and leaders at all levels of the University are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. Although management is responsible for establishing specific internal control policies and procedures, **everyone at the University shares responsibility for internal control.**

All employees play an important role in the achievement of the University's goals and objectives. Everyone is responsible for implementing and maintaining control practices to ensure achievement of these goals. It is impossible to eliminate all negative consequences, which are an inherent part of setting and meeting objectives. It is, however, possible and necessary to *reduce* the negative consequences to an acceptable level by implementing control practices.

Any employee suspecting fraud or other improprieties involving University resources must inform their supervisor or Audit Services. (See [UCSB Policy 5700, Reporting and Reviewing Defalcations](#), and/or [Business and Finance Bulletin G-29, Procedures for Investigating Misuse of University Resources](#).)

Other groups play important roles. Audit Services evaluates control systems for effectiveness and efficiency. The Office of the Controller provides leadership in designing and implementing systems to ensure an effective financial accountability and control environment.

External auditors review control systems for the impact on financial reporting and compliance with requirements of external agencies.

Fundamental Concepts

Maintaining internal controls is a continuing process. Internal control is effected not only by policy manuals and forms, but by people functioning at every level of the institution. Internal control can be expected to provide only reasonable assurance regarding achievement of operational, financial reporting, and compliance objectives.

Control Principles

Authorization and Approval

Transactions are authorized by a person with delegated approval authority.

Documentation of Policies and Procedures

University and departmental level policies and operating procedures are formalized and communicated to employees. Documenting policies and procedures and making them accessible to employees helps provide day to day guidance to staff and will promote continuity of activities in the event of prolonged employee absences or turnover.

Physical Security

Equipment, inventories, cash, and other property are secured physically, counted periodically, and compared with amounts shown on control records.

Proper Management of Costs and Expenses

Costs and expenses are monitored and controlled. Comparisons of actual expenses to budgeted amounts are performed on a regular basis, and all significant variances are researched.

Review and Reconciliation

Routine examination and reconciliation of transaction records to official University records is required to verify the accuracy of the records, the appropriateness of the transactions, and their compliance with policy.

Separation of Duties

Financial responsibilities are divided between different people to assure a single person does not perform every aspect of a financial transaction. Segregating responsibilities can reduce errors and prevent or detect inappropriate transactions.

Training and Supervision

Employees receive appropriate training and guidance to ensure they have the knowledge necessary to carry out their job duties. Employees are provided with an appropriate level of direction and supervision and are aware of the proper channels for reporting suspected improprieties.

Components of Internal Control



There are five interrelated components that make up an organization's internal controls. The Committee of Sponsoring Organizations (COSO) model, depicted above in a pyramid form, is recognized throughout the world as a significant standard for discussing internal control. There is a direct relationship between institutional objectives and the components of internal control. For example, to achieve the objective of compliance with laws and regulations, all five components are necessary.

Control Environment

The control environment, as established by the organization's administration, sets the tone of an institution and influences the "control consciousness" of its people. Likewise, leaders of each department establish a local control environment. This is the foundation for all other components of internal control. Control environment factors include: integrity and ethical values, competence, leadership philosophy and operating style, and the way management assigns authority and responsibility.

Risk Assessment

The UC campuses must be aware of and address the risks they face. They must establish objectives. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives. This forms the basis for determining how the risks should be managed.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. Control activities occur throughout the institution, at all levels and in all functions. They include such activities as approvals, reconciliations of budget to actual, segregation of duties, and security of assets.

Information and Communication

Communication systems enable the organization's people to capture and exchange the appropriate information needed to manage its operations responsibly.

Monitoring

Monitoring is a process that assesses the quality of the system's performance over time. It is accomplished through ongoing activities such as review of operating and financial reports, comparison of data to physical assets, separation of duties, and authorization procedures. Monitoring can also be accomplished through separate evaluations such as internal and external audits.

Common Audit Findings

- Lack of separation of duties. One staff employee is responsible for all aspects of specific types of financial activity such as payroll, purchasing, cash receiving, and recording.
- Expenditures and commitments of funds not tracked and compared to budgets on a timely basis. Budget status reports not prepared and provided to department head or principal investigator on a timely basis.
- Cash receipts from revenue generating activities or gifts not promptly endorsed, recorded, safeguarded, deposited, and reconciled.
- Cash receipts not deposited. Used to fund petty cash type purchases.
- Vendor invoices not approved prior to payment.
- Purchases of materials or services from University employees and not submitting the request in advance to campus Purchasing for conflict of interest review.
- Equipment records not maintained. Equipment not tagged with UC property numbers. Equipment inventory counts not taken and documented. Equipment items not found.
- Recharge billings for on campus services not reviewed for validity and correctness.
- Employee overtime not properly authorized, recorded, and compensated.
- Employee attendance records not reviewed and approved by supervisor.
- Staff performance evaluations not prepared on a timely basis. Staff job descriptions out of date.
- Accounts payable payments to individuals which should have been handled through the payroll system due to an employer/employee relationship.
- Administrative staff not cross trained to provide coverage during extended absences. Over reliance on one individual for computer programming and network support.
- Federally unallowable charges not properly object coded to exclude from campus overhead rate calculation.

- Cost transfers involving a federal fund are not properly explained, approved, and processed on a timely basis.
- Administrative policies, procedures, and practices not documented.
- Access to campus and departmental computer systems not properly controlled.
- Computer databases and data files not backed up on a regular basis. Electronic backup media not stored in a safe location remote from the original data.
- Computer applications developed without adequate technical or user documentation.
- Signature authorizations not up to date.

REFERENCES

Audit Services

(805) 893-2829

<http://www.audit.ucsb.edu>

Office of the Controller

(805) 893-7667

<http://controller.ucsb.edu>

UCSB Policy 5700, Reporting and Reviewing Defalcations

http://www.policy.ucsb.edu/vcas/internal-audit/5700_defalcations.html

UC Business and Finance Bulletin G-29, Procedures for Investigating Misuse of University Resources

<http://www.ucop.edu/ucophome/policies/bfb/g29.html>

Accounts Payable

Accounts Payable and disbursements involves preparing payments to suppliers and disbursing funds owed for goods and services purchased.

This section is organized into three main activities:

1. Separation of Duties
2. Authorization and Approval
3. Review and Reconciliation

1. **Separation of Duties**

Standard

- Accounts payable duties and responsibilities are adequately segregated.

Potential Consequences

- Erroneous or fraudulent payments may occur.
- Payments may be made to unauthorized or non-existent vendors.

Recommended Practices

- To the extent possible, different individuals should be assigned responsibility for:
 1. approving purchase requisitions and orders,
 2. receiving ordered materials,
 3. approving invoices for payment, and
 4. reviewing and reconciling the monthly general ledger.

Standard

- Departments should avoid requesting that checks be held by Accounting for pick up by the department, vendor, or employee.

Potential Consequences

- Erroneous or fraudulent payments may occur.
- Checks could be altered.

Recommended Practices

- Checks should be mailed directly to payee (i.e. vendor, employee, or student).

2. **Authorization and Approval**

Standard

- Vendor invoices are reviewed for accuracy and matched to purchase orders, contract terms, and receiving documents prior to approving payment.

Potential Consequences

- Purchases may occur which are unauthorized, fraudulent, or unnecessary.
- Vendors may make claims for payment of unauthorized work performed.
- Erroneous payments may be made.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Prior to approving payment, vendor's invoice, receipt information, and purchase order are reviewed for: receipt of materials/services and accuracy of price, prior payment, quantity, and account/fund information. Absence or discrepancies of any of the above is resolved before payment is made.
- Purchases, invoices, and Check Requests should be approved only by persons with delegated authority.
- Signature Authorization forms should be up to date and on file in Accounting Services & Controls, Extramural Funds unit.

Standard

- Payments to consultants and for personal services shall be made only when a signed agreement exists which has been reviewed and authorized by Business Services. (See [Business and Finance Bulletin BUS - 34, Securing the Services of Independent Consultants.](#))

Potential Consequences

- Payments may be made which are unauthorized, fraudulent or unnecessary.
- An employer-employee relationship may exist, which would require following the normal employment process.
- A conflict of interest may exist.
- Goods or services may be available from the University's own facilities.
- The University may be subjected to undue insurance liability.

Recommended Practices

- Prior to obtaining the services of a consultant, or entering into a personal service agreement, the agreement must be reviewed and authorized by Business Services.
- Authorization for payments shall be a copy of the properly executed agreement.
- Payment may not be made for services rendered prior to the contract period unless proper approval has been obtained from Business Services and the invoice(s) meets contract terms.

3. Review and Reconciliation

Standard

- Aged invoices, purchase orders, and receiving transactions are reviewed, investigated and resolved.

Potential Consequences

- Payment may not be made for goods already ordered and received.
- Late payment may result in loss of supplier discount.

Recommended Practices

- Invoices sent for approval are monitored for payment.
- Ledgers are reconciled and reviewed monthly for accuracy and timeliness of expenses.

REFERENCES

Accounting Services & Controls, Accounts Payable
Manager, Asger Pedersen
(805) 893-3919
<http://www.accounting.ucsb.edu/disbursement/>

Accounting Services & Controls, Extramural Funds
Manager, Connie Feeley
(805) 893-3068
<http://www.accounting.ucsb.edu/emf/>

Business Services
(805) 893-4440
<http://www.busserv.ucsb.edu/>

UC Business and Finance Bulletin BUS - 34, Securing the Services of Independent
Consultants
<http://www.ucop.edu/ucophome/policies/bfb/bus34.html>

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Business Travel & Moving Expenses

All University travel shall be properly authorized, reported, and reimbursed in accordance with [Business and Finance Bulletin G-28, Policies and Regulations Governing Travel](#). Expenses for personal travel must not be charged or temporarily funded by the University. Reimbursement for moving expenses and relocation allowances for non-exclusively represented staff employees must be in accordance with [Business and Finance Bulletin G-13, Policy & Regulations Governing Moving & Relocation](#). Academic appointments must be in accordance with [Academic Personnel Manual 550, Moving Expenses for Intercampus Transfer](#).

This section is organized into three main activities:

1. Segregation of Duties
2. Authorization and Approval
3. Review and Reconciliation

1. **Segregation of Duties**

Standard

- Individuals with delegated approval authority for travel expenses shall not approve their own travel.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Reimbursement could be made for personal or non-business related travel

Recommended Practices

- All reimbursements for travel expenses must be in accordance with BUS G-28.
- Individuals with delegated approval authority must obtain approval for their own travel from their supervisor or other higher level individual.

Standard

- Responsibility for preparing and approving/releasing a Travel Expense Voucher is assigned to separate individuals. Adequate internal controls are maintained in approval and payment process.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.

- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Reimbursement could be made for personal or non-business related travel.
- Loss of future funding.

Recommended Practices

- All relevant documentation should be attached to the payment request.
- The approver/releaser of a Travel Expense Voucher should be someone other than the preparer.
- Reimbursement of travel expenses shall be delivered directly to the payee.
- Payments shall not be delivered to any of the individuals involved in the approval or payment preparation process.

2. Authorization and Approval

Standard

- All official University travel must be authorized by persons delegated such authority. (Please contact your control point or Department Head to identify who has such authority.)

Potential Consequences

- Reimbursement could be made for personal or non-business related travel.
- Damaged public image.
- Loss of future funding.
- Excessive costs may be incurred due to inappropriate practices or fraud.

Recommended Practices

- A Travel Expense Voucher must be approved for payment by the traveler's department head or by a person delegated such authority.
- Approval from the delegated authority must be in writing.
- Current signature authorization forms must be on file with Accounting Services & Controls, Extramural Funds unit.
- A Travel Expense Voucher should not be approved by a person who reports directly to the traveler unless prior approval has been obtained.
- Travel expenditures should be cost effective and in accordance with the best use of public funds.

Standard

- All travel expense reimbursements must be allowable, reasonable, and substantiated in accordance with BUS G-28.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

- Loss of future funding.
- Damaged public image.

Recommended Practices

- Individuals must be eligible for travel expense reimbursement. Foreign visitors must have a proper Visa (J1, B1-B2, WB-WT, F1, or H1). Please contact the Accounting Services & Controls, Travel unit for further information.
- A Travel Expense Voucher must be submitted to Accounting Services and Controls within 21 days of the completion of the trip.
- All transportation expenses must be reimbursed based on the most economical mode of transportation and the most usually traveled route.
- Coach class or any discounted class shall be used.
- Only U.S. carriers shall be used for travel reimbursed from Federal grants and contracts.
- The use of University-owned automobiles shall be in accordance with [Business and Finance Bulletin BUS - 46, Use of University Vehicles](#).
- Allowable meal and incidental expense rates must be used. (Please see BUS G – 28.)
- For meals and incidentals, reimbursement should be made for actual costs only.

Standard

- A Travel Expense Voucher shall be used to account for all travel expenses incurred in connection with official University travel.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Appropriate and necessary approval may not be obtained.

Recommended Practices

- The Travel Expense Voucher must be completed in accordance with BUS G - 28.
- Original receipts must be attached.
- When receipts are lost or cannot be obtained, a statement describing the reason for the unavailability must be included as part of the documentation submitted with the Travel Expense Voucher.
- The Travel Expense Voucher must be signed by the traveler certifying that the amounts are true. If the traveler cannot sign, a reason must be indicated.
- The Travel Expense Voucher must be approved by the department head or equivalent authority.
- The Travel Expense Voucher should be reviewed to ensure all expenses are reasonable, allowable, and properly supported.

Standard

- Travel expenses incurred by non-University personnel shall not be reimbursed unless the travel has been approved in advance by the delegated authority.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommendations

- Individual with delegated approval authority must authorize the reimbursement of travel for prospective appointees before any commitment for reimbursement is made.
- A Travel Expense Voucher must be completed in accordance with BUS G - 28.

Standard

- Travel to conventions, conferences, or business meetings must be reimbursed in accordance with BUS G - 28.

Potential Consequences

- Travel reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Travel expenses incurred for attending conventions, conferences, or business meetings are allowed when approved by a department head or equivalent authority.
- Expenses which can be reimbursed include registration fees, transportation, subsistence, and some miscellaneous expenses.
- Reimbursement for any portion of the registration fee related to optional entertainment is not allowed.

Standard

- Departments should exercise minimal use of travel advances.

Potential Consequences

- Unused advances may not be reimbursed promptly and collection may become a problem.
- Loss of STIP for the University.
- Accounting for expenses becomes more difficult and requires additional processes.
- Amount requested on the Travel Advance Request Form could exceed estimated expenses.
- Trip could be cancelled or postponed.
- Failure by the employee to return unused travel advances within 120 days requires the University to consider the advance amount as income to the employee under IRS regulations.

Recommended Practices

- Eligible travelers should request a corporate card.
- Travel advances may only be issued under the following circumstances:
 1. the traveler is not eligible to participate in the corporate travel card program,
 2. the traveler has incurred credit card expenses which must be paid before the trip is completed, or
 3. the travel requires special handling, such as group travel.
- Cash advances should not be authorized for any person who is 30 days delinquent in submitting a Travel Expense Voucher for a prior trip.
- The traveler must account for the total amount of all expenses and advances pertaining to a trip by submitting a Travel Expense Voucher within 21 days of the completion of the trip. Original receipts must be retained for submission with the Travel Expense Voucher.
- Advances must be refunded immediately if an authorized trip is cancelled or indefinitely postponed.

Moving Expenses

Standard

- Reimbursement of moving expenses must be authorized by persons delegated such authority. (Please contact your control point or Department Director to identify who has such authority).

Potential Consequences

- The employee or new appointee may not have met the eligibility requirements for reimbursement of his/her moving expenses.
- The employee or new appointee's taxable income may be miscalculated.
- Excessive costs may be incurred due to inappropriate practices or fraud.
- Damaged public image.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Request for reimbursement of nontaxable moving expenses must be submitted to Accounting Services & Controls, Travel unit, on a Travel Expense Voucher.
- The Travel Expense Voucher must be approved by the employee's department head or equivalent authority.
- Claims for moving expense reimbursement must be supported by original receipts and invoices.
- Current signature authorization forms must be on file in the Accounting Services & Controls, Extramural Funds unit.

3. Review and Reconciliation

Standard

- Periodic reviews are performed to ensure travel expenditures are accurate and appropriate.

Potential Consequences

- Expenses may be charged to the wrong account/fund.
- Financial reports could be misstated.
- Loss of future funding.

Recommended Practices

- Departments should review the general ledger on a monthly basis to ensure travel expenses are properly classified, recorded, and accurate.
- Departments should review contract and grant terms and other fund restrictions to ensure expense is allowable and appropriate.

REFERENCES

Accounting Services and Controls, Travel
Manager, Dale Pearson
(805) 893-7226
<http://www.accounting.ucsb.edu/travel/>

UC Academic Personnel Manual Policy 550, Moving Expenses for Intercampus
Transfer
<http://www.ucop.edu/acadadv/acadpers/apm/apm-550.pdf>

UC Business and Finance Bulletin G-13: Policy and Regulations Governing Moving
and Relocation
<http://www.ucop.edu/ucophome/policies/bfb/g13toc.html>

UC Business and Finance Bulletin G-28: Policy and Regulations Governing Travel
<http://www.ucop.edu/ucophome/policies/bfb/g28toc.html>

UC Business and Finance Bulletin BUS – 46, Use of University Vehicles
<http://www.ucop.edu/ucophome/policies/bfb/bus46.html>

Cash Receipts

The term “cash” includes currency, coin, checks, money orders, and credit card receipts. Receipts and deposits involve collecting, safeguarding, and depositing funds received.

This section is organized into four main activities:

1. Separation of Duties
2. Authorization and Approval
3. Custodial and Security Arrangements
4. Review and Reconciliation

1. Separation of Duties

Standard

- Responsibilities for receiving and depositing cash/checks are assigned to separate individuals whose duties are adequately segregated from other activities.

Potential Consequences

- Cash receipts may be lost, stolen, or misappropriated.
- Cash received may be lost or inaccurately applied to accounts.

Recommended Practices

- To the extent possible, different individuals should be assigned responsibility for:
 1. receiving and depositing cash,
 2. recording cash payments to receivable records,
 3. reconciling cash receipts to deposits and the general ledger,
 4. billing for goods and services,
 5. following up on collection of returned checks, and
 6. distributing payroll or other checks
- Incoming cash is handled by the least possible number of people, and designated individuals are responsible for safeguarding funds until deposited.

2. Authorization and Approval

Standard

- Individual accountability for all cash, including cash receipts, change funds and petty cash funds should be maintained at all times.

Potential Consequences

- Cash receipts may be lost, stolen or misappropriated.

Recommended Practices

- An accounting record for cash should be established immediately upon receipt.
- Access to cash should be restricted at all times to the person (the custodian) accountable for the funds. This person should be provided a locked, secure storage facility to which only he/she has access. This could be a lockable cash drawer, safe, safe compartment, or filing cabinet. The degree of security facility should be commensurate with the amounts being stored. (See [Business and Finance Bulletin, BUS-49](#), for safe requirements.)
- All transfers of cash accountability should be documented. Documentation should include amount transferred, date, and signatures of both persons involved in the transfer. The documentation should be kept in a location separate from the cash funds.
- A supervisor should verify cash deposits, cash overages and shortages.
- A supervisor should sign and approve any voids or refunds.

3. Custodial and Security Arrangements

Standard

- Receipts are recorded accurately, completely, and on a timely basis.

Potential Consequences

- Financial records and financial statements may be misstated.
- Cash and other cash-related accounts may be misstated.
- Cash received may be lost or inaccurately applied to department accounts.
- Cash receipts may be recorded in the wrong accounting period.
- Cash flow may not be maximized.

Recommended Practices

- All cash should be immediately recorded upon receipt. The recordings may be made on a cash register, a computer system data entry terminal, by means of pre-numbered receipt forms, or on a hand written log. Each individual cash receipt should be identified and controlled by a unique transaction number, such as a cash register ring number or cash receipt number. The cash receipt records should provide the following information:
 - Name of department receiving cash.
 - Name of person or organization cash was received from.
 - Amount received and cash, check, or credit card indicator.
 - Check amount and check number.
 - Date.
 - Identification of person receiving cash. When receipt forms are used, they should include signature of the person receiving cash. An equivalent identification should be provided for when receipts are recorded on a cash register, computer terminal or hand written log.
 - Transaction number, cash register ring number, or receipt form number.
 - Checks should be made payable to UC Regents and should be restrictively endorsed to the UC Regents immediately upon receipt.

- The accounting record of cash receipts should be stored separately from the cash after business hours.
- All cash, checks, or cash equivalents in excess of \$500.00 are deposited on the day they are received. Cash equivalents totaling less than \$500.00 may be deposited weekly if departments meet safe requirement standards as per [Business and Finance Bulletin BUS - 49, Policy for Handling Cash and Cash Equivalents](#). If safe requirements are not met, Accounting Services & Controls recommends departments deposit cash in excess of \$500 immediately.
- Cash receipts should be deposited intact. Receipts should not be used for petty cash, disbursements, check cashing, or other purposes.

Standard

- Undeposited cash receipts should be kept locked at all times.

Potential Consequences

- Cash receipts may be lost or stolen.

Recommended Practices

- Funds held overnight should be minimized. Cash should be kept in a locked safe or other secure storage facility. The degree of security provided should be commensurate with the amounts stored. (See [Business and Finance Bulletin, BUS-49](#), for safe requirements.)
- Combinations or keys to safes and other cash storage facilities should be restricted to the custodian of the cash and a designated backup.
- Combinations or locks must be changed annually and whenever a person with the combination or key leaves the department. A log must be maintained of these changes.
- Combinations should be kept in a sealed, signed envelope, in a secure location in the event access to the safe is needed and the custodian is unavailable.
- Persons responsible for cash should be instructed to maintain confidentiality of safe combinations.
- Appropriate precautions should be taken when transporting cash from departments to the Cashiers Office. Cash should not be sent through the campus mail. When large amounts are involved, or when cash must be transported after dark, a campus police escort is advised.

4. Review and Reconciliation

Standard

- Receipts, deposits, and bank account balances are reconciled monthly.

Potential Consequences

- Lost, incorrectly recorded, or misappropriated cash receipts may not be identified and corrected.

- Discrepancies between bank records and campus/department ledgers may not be detected.

Recommended Practices

- The following reconciliation procedures should be performed or reviewed by a supervisor not directly involved in receiving and recording cash:
 - Cash receipts should be counted and balanced to the cash recorded at the end of each business day.
 - A receipt for each cash deposit should be obtained from the Cashier's Office and compared with the department's record of the deposit amount.
 - The cash deposits listed in monthly general ledger reports should be reconciled to the department's records of cash receipts. Any differences should be investigated and explained.
 - A dated and signed record of the reconciliations should be prepared and retained.
 - Cash receipts are recorded on the day received.

REFERENCES

Accounting Services & Controls
(805) 893-8953
<http://www.accounting.ucsb.edu>

Campus Cash Handling Coordinator
Trenna Hunter
Business Services
(805) 893-2570
<http://www.busserv.ucsb.edu/>

UC Business and Finance Bulletin - 49, Policy for Handling Cash and Cash
Equivalents
<http://www.ucop.edu/ucophome/policies/bfb/bus49toc.html>

Entertainment

Entertainment applies to all activities and expenses associated with University sponsored events such as receptions, conferences, meetings, hosting official guests, and commencement. Whenever University funds are expended for an event that has an entertainment component, the entire event should be considered subject to entertainment policy approval.

Departments organizing and managing sponsored events should consider risks and exposure. Early planning should include consultation with control points, Business Services, Purchasing and/or Accounting Services & Controls, whichever is appropriate in obtaining approvals, services and supplies.

This section is organized into three main activities:

1. Segregation of Duties
2. Authorization and Approval
3. Review and Reconciliation

1. **Segregation of Duties**

Standard

- Individuals with delegated approval authority for entertainment expenses shall not approve their own entertainment.

Potential Consequences

- Entertainment reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Reimbursement could be made for personal or non-business related entertainment.

Recommended Practices

- All reimbursements for entertainment expenses must adhere to Business and Finance Bulletin, BUS-79, Entertainment.
- Individuals with delegated approval authority must obtain approval for their own entertainment from their supervisor or other higher level individual.

Standard

- Adequate internal controls are maintained in the approval and payment process.

Potential Consequences

- Entertainment reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Damaged public image.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Loss of future funding.

Recommended Practices

- Reimbursement of entertainment expenses shall be delivered directly to the payee.
- Payments shall not be delivered to any of the individuals involved in the approval or payment preparation process.
- All relevant documentation should be attached to the payment request.

2. Authorization and Approval

Standard

- Expenses for entertainment must be directly related to, or associated with official University business.

Potential Consequences

- Reimbursement could be made for personal or non-business related entertainment.
- Damaged public image.
- Loss of funding.
- Excessive costs may be incurred due to inappropriate practices or fraud.

Recommended Practices

- When a University employee acts as an official host, the occasion must serve a clear University business purpose, with no personal benefit derived by the official host or other University employees.
- Entertainment expenditures should be cost effective and in accordance with the best use of public funds.

Standard

- All entertainment expenses must be approved by a department head or equivalent authority.

Potential Consequences

- Entertainment reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Department heads or equivalent authority must ensure entertainment conforms to the requirements of BUS - 79.
- Department heads must ensure certification by official host.
- All claims submitted for payment or reimbursement must include appropriate supporting documentation.
- All requests for reimbursements must be submitted on Form U5-8E, "Payment Request: Business Meeting & Entertainment."
- Department heads or equivalent authority must verify that expenses incurred are appropriate to the fund source. Please refer to "[Instructions for Business Meeting and Entertainment Expense Reimbursement Using Forms U5-8E, U5-8EA, and U5-EW; Appendix A](#)" and/or [BUS - 79](#) for a list of current fund restrictions governing business meeting and entertainment expenses.
- Individuals with delegated approval authority shall not approve the entertainment of a person to whom they directly report.
- Individuals with delegated approval authority shall not approve their own entertainment.
- A signature authorization form must be on file in Accounting Services and Controls, Extramural Funds unit for each individual to whom approval authority has been delegated.

Standard

- Approval of exceptional entertainment expenses must be obtained at the appropriate level.

Potential Consequences

- Entertainment reimbursements may occur which are unauthorized, fraudulent, or unnecessary.
- Excessive costs may be incurred.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Approval of exceptional expenses must be obtained at the appropriate level.
- Request for reimbursement must include a written justification as to why the higher costs were unavoidable and necessary to achieve a University business purpose.
- Reimbursements of exceptional entertainment expenses shall be limited to the actual costs incurred.
- Reimbursements of exceptional entertainment expenses must be completed on [Form U5-8EW, "Prior and Exceptional Approval Worksheet for Entertainment."](#)

3. Review and Reconciliation

Standard

- Periodic reviews are performed to ensure entertainment expenditures are accurate and appropriate.

Potential Consequences

- Expenses may be charged to the wrong account/fund.
- Financial reports could be misstated.
- Loss of future funding.

Recommended Practices

- Departments should review the general ledger on a monthly basis to ensure expenses are properly classified, recorded, and accurate.
- Departments should review contract and grant terms, and other fund restrictions to ensure expense is allowable and appropriate.

REFERENCES

UCSB Instructions for Business Meeting and Entertainment Expense
Reimbursement Using Forms U5-8E, U5-8EA, and U5-EW
<http://www.accounting.ucsb.edu/forms/entertainment.shtml>

UC Business and Finance Bulletin BUS – 79, Entertainment
<http://www.ucop.edu/ucophome/policies/bfb/bus79.html>

Equipment Management

Equipment Management, as defined under [Business and Finance Bulletin BUS - 29, Management and Control of University Equipment](#), involves the management and control of inventorial equipment (non-expendable – i.e., with a life expectancy of more than 1 year, free-standing, and with an acquisition value of \$1,500 or more) owned by or in the custody of the University. Management and control includes the approval of acquisitions, maintenance of records, and disposal of equipment.

This section is organized into four main activities:

1. Separation of Duties
2. Authorization and Approval
3. Custodial and Security Arrangements
4. Review and Reconciliation

1. **Separation of Duties**

Standard

- Key duties and responsibilities are segregated.

Potential Consequences

- Financial statements and equipment records could be misstated.
- Substantiation of account balances and verification of the related assets may not be possible.
- Equipment location may be incorrect.
- Equipment may be lost, stolen or destroyed.

Recommended Practices

- An employee assigned to perform a physical inventory should not be the person responsible for maintaining custody of the items.
- Equipment Inventory Modification Request (EIMR) forms should be approved by someone not directly responsible for custody or disposal of equipment, preferably department management.

2. **Authorization and Approval**

A. Acquisition

Standard

- Asset acquisitions are authorized and approved.

Potential Consequences

- Unsuitable or unauthorized assets may be acquired.
- Required approval may be circumvented resulting in unauthorized expenditures.

- Assets may be acquired for personal use.

Recommended Practices

- Purchase requisitions should be approved by a person delegated approval authority.
- A person delegated approval authority should approve either the invoice for the purchase *or* the purchase requisition, but not both.
- Items should be inspected for condition prior to approving invoice payment.
- Adjustments to inventorial records for returned, missing, damaged and changed items should be approved by departmental management, and processed via a change order request which advises Purchasing, Equipment Management, and Accounting Services & Controls.

B. Transfer and Disposal

Standard

- The transfer or disposal of assets is authorized and approved.

Potential Consequences

- Assets may be sold, scrapped, retired, stolen, revalued, or converted to personal use without management's knowledge.
- Equipment records could be inaccurate due to transfers, losses and disposals made without management's knowledge.

Recommended Practices

- Departmental and Materiel (Equipment) Management approval should be obtained prior to the physical removal, sale, scrapping, loan, or transfer of any assets. (See UCSB Policies 5360 and 5363.)
- Adjustments to inventory records for sold, scrapped, loaned, transferred, missing or stolen assets should be processed and recorded by means of an Equipment Inventory Modification Request (EIMR) and, in the case of stolen assets, completion of a Police Department theft report.

3. Custodial and Security Arrangements

A. Custodial Arrangements

Standard

- Off-campus business use of University equipment should be permitted only according to University policy.

Potential Consequences

- University equipment could be lost, stolen or misappropriated.
- Financial statements and equipment records may be misstated.
- The University could be liable for accidents at off-site locations.

Recommended Practices

- Off-campus use of University equipment should be allowed for University business purposes only and should be approved by the department head.
- An EIMR should be approved by the department and submitted to Equipment Management to record the relocation of the equipment to an off-campus location.
- Concerns about insurance requirements should be directed to Business Services.

B. Security Arrangements

Standard

- Standard University security procedures should be followed regarding key control and theft prevention.

Potential Consequences

- University equipment could be lost or stolen.
- Financial statements and equipment records may be misstated.
- University could be liable for accidents.
- Decrease in departmental productivity.
- Damaged public image.

Recommended Practices

- The number of employees having access to equipment and inventories should be held to a minimum.
- Locks should be rekeyed or changed whenever significant personnel turnover or theft of keys occurs.
- If in doubt, departments should obtain assistance from the campus Police Department regarding the establishment and maintenance of proper security procedures.

4. Review and Reconciliation

A. Establishment of Equipment Records

Standard

- Assets are accurately and promptly classified, recorded, and valued.

Potential Consequences

- Financial statements and equipment records may be misstated.
- Acquisitions may be incorrectly capitalized or expensed.
- Assets may be incorrectly valued.

Recommended Practices

- Acquisition documents such as purchase orders should be routed by the Purchasing Department through Equipment Management for classification as inventorial or non-inventorial.
- All inventorial equipment should be identified, promptly recorded upon receipt, and affixed with the correct property tag.
- All University equipment should be adequately insured. (Please see [Business and Finance Bulletin BUS - 28, Property Self - Insurance Program.](#))

B. On-Going Maintenance of Equipment Records

Standard

- Detailed equipment records are established to maintain accounting control and physical accountability of assets.

Potential Consequences

- Substantiation of account balances and verification of the related assets may not be possible.
- Assets may be lost, stolen, destroyed, or temporarily diverted.
- Asset location may be incorrect.

Recommended Practices

- Detailed equipment records should be maintained.
- Assets should be tagged for ease of identification and accountability.
- The movement of assets (e.g. between departments) should be documented, and the detailed property records accordingly updated, by means of an EIMR which should be approved and submitted to Equipment Management.
- Periodic reviews should be performed to identify assets that are surplus or idle. Obsolete, inactive or damaged items should be removed from inventory, by means of an EIMR which should be approved and submitted to Equipment Management.
- Departments should adequately insure equipment and consider applicability of “buy-down” insurance.

C. Annual Updating of Equipment Records (Physical Inventory)

Standard

- Periodic reviews are performed to ensure the accuracy of equipment records and recorded asset balances.

Potential Consequences

- Financial statements and equipment records may be misstated.
- Lost, stolen, scrapped, transferred, or sold assets may not be correctly identified and the detailed equipment records may not be updated.
- Assets may be incorrectly valued.

Recommended Practices

- Physical counts of equipment should be taken annually as part of the Physical Inventory Report (EQ920) process. Equipment inventory results should be compared to the detailed property records with discrepancies resolved in a timely manner.
- Properly annotated and signed Physical Inventories should be returned to Equipment Management by departments. Changes are recorded in the central campus inventory database.

REFERENCES

Business Services

(805) 893-4440

<http://www.busserv.ucsb.edu>

Equipment Management

(805) 893-2389

<http://www.busserv.ucsb.edu/equipmentmanagement/index.htm>

Purchasing

(805) 893 – 2555

<http://www.busserv.ucsb.edu/contractsprocurement/purchasing.htm>

UCSB Policy 5360, Equipment Management and Inventory Control

http://www.policy.ucsb.edu/vcas/purchasing/5360 equip_manage invntry.html

UCSB Policy 5363, Property Inventory Control

http://www.policy.ucsb.edu/vcas/purchasing/5363_inventory_control.html

UC Business and Finance Bulletin BUS - 28, Property Self -Insurance Program

<http://www.ucop.edu/ucophome/policies/bfb/bus28.html>

UC Business and Finance Bulletin BUS - 29, Management and Control of University Equipment Section A – General

<http://www.ucop.edu/ucophome/policies/bfb/bus29a.html>

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Honoraria

In most cases, honorarium is compensation to an academic individual for a particular service (such as guest speaking, lecturing, or conducting a workshop) and expenditures associated with such service.

This section is organized into three main activities:

1. Method of Payment
2. Authorization and Approval
3. Review and Reconciliation

1. Method of Payment

Standard

- Depending upon the individual's status, (i.e. employee, non-employee, nonresident alien) the correct method of payment must be used.

Potential Consequences

- Individual may not be eligible for honoraria payment.
- Potential tax liability may exist for both the University and the individual.
- Excessive costs may be incurred.
- Payments may occur which are unauthorized or unnecessary.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Loss of future funding.

Recommended Practices

- Non-University employees are paid through Accounts Payable via a Form 5 (Request for Issuance of Check). Please contact Accounting Services & Controls, Accounts Payable unit for further information.
- University employees are not eligible for honoraria payment. Payment is made via the payroll process. Per diem and travel expenses are reimbursed with a Travel Expense Voucher. Appropriate receipts must be attached to the Travel Expense Voucher.
- Nonresident aliens who are holders of B-1/B-2 visas are not eligible for honoraria payment. For further information, please contact the Immigration Counselor in International Students & Scholars Office.

2. Approval and Authorization

Standard

- Requests for honoraria payments are appropriately approved.

Potential Consequences

- Payments may occur which are unauthorized or unnecessary.
- Improper charges may be made to account/funds resulting in misappropriation of funds.
- Loss of future funding.
- Excessive costs may occur.

Recommended Practices

- Honoraria of \$500 or less must be approved by the department chairperson or principal investigator.
- Honoraria of \$501 to \$2,000 must be approved by the appropriate Provost, Dean or Vice Chancellor.
- Honoraria exceeding \$2,000 must be approved by the Chancellor or the Vice Chancellor and the supporting documentation should include a curriculum vita and a statement of purpose.

3. Review and Reconciliation

Standard

- Periodic reviews are performed to ensure honoraria payments are accurate and appropriate.

Potential Consequences

- Expenses may be charged to the wrong account/fund.
- Financial reports could be misstated.
- Loss of future funding.

Recommended Practices

- Departments should review the general ledger on a monthly basis to ensure honoraria payments are properly classified, recorded, and accurate.
- Departments should review contract and grant terms, and other fund restrictions to ensure the expense is allowable and appropriate.

REFERENCES

Accounting Services and Controls, Accounts Payable
Manager, Asger Pedersen
(805) 893-3919

<http://www.accounting.ucsb.edu/disbursement/>

Office of International Students & Scholars
(805) 893-2929

<http://www.oiss.ucsb.edu>

UCSB Policy 5120, Payment of Honoraria

http://www.policy.ucsb.edu/vcas/accounting/5120_honoraria_payment_of.html

REFERENCES (cont'd)

UCSB Policy 5145, Payments to Aliens

http://www.policy.ucsb.edu/vcas/accounting/5145_payment_to_alien.html

UCSB Policy 5260, Use of Independent Consultants

http://www.policy.ucsb.edu/vcas/business-serv/5260_ind_consult.html

UCSB Policy 5265, Securing the Services of Independent Consultants

http://www.policy.ucsb.edu/vcas/business-serv/5265_ind_consultants.html

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Payroll

Payroll involves preparing and approving personnel actions including those for hiring, changes in employment and separation; accounting for payroll costs, deductions, benefits, sick leave, and vacation accrual; distributing checks to employees; and ensuring the confidentiality and security of payroll information.

The control standards below are presented in terms of the most desirable operating conditions. There may be situations when optimum conditions are not attainable or when existing conditions may provide adequate control within the intent of the standards. In such situations, variance from these control standards, and the reasoning, must be documented and have the written approval of the Department Head.

This section is organized into four main activities:

1. Separation of Duties
2. Authorization and Approval
3. Custodial and Security Arrangements
4. Review and Reconciliation

1. **Separation of Duties**

Standard

- Key payroll duties and responsibilities are segregated.

Potential Consequences

- Payroll distributions may be made to unauthorized employees and remain undetected.
- Improper changes may be made to payroll files or personnel documents resulting in misappropriation of funds.
- Incorrect hours may be submitted for payment.
- Unauthorized issuance of payroll checks may occur.

Recommended Practices

- To properly control payroll activities, different employees should be responsible for updating the on-line Payroll/Personnel System (PPS), reviewing PPS actions (PAN notices), and reviewing the monthly Distribution of Payroll Expense Reports.
- Payroll checks and Surepay statements should be distributed by an employee not involved in updating the PPS, or preparing or approving payroll documents.

2. Authorization and Approval

Standard

- Entries and adjustments to the payroll system are made by authorized individuals.

Potential Consequences

- Employees may be erroneously or fraudulently paid for hours not worked, or may not be paid for hours actually worked.
- Employees may be paid for unauthorized overtime.

Recommended Practices

- Payroll documents should be approved only by persons with delegated authority.
- Current Signature Authorization forms should be on file in the Accounting Services and Controls, Extramural Funds unit.
- Employees should not approve actions affecting their own pay.
- Attendance records are approved each month.
- Time recording and reporting modifications are approved each month.

3. Custodial and Security Arrangements

Standard

- Payroll checks and Surepay statements are kept secure.

Potential Consequences

- Misappropriation of unclaimed checks, loss of checks, or misdirected deposits may occur.

Recommended Practices

- Departments may request proof of identity prior to distribution of payroll checks or Surepay statements.
- An attempt should be made to notify payees of unclaimed checks or Surepay statements.
- Payroll checks or Surepay statements are returned to the Payroll unit after 2 weeks if unclaimed.

4. Review and Reconciliation

Standard

- Payroll charges in the General Ledger should be reviewed.

Potential Consequences

- Financial statements may be misstated.
- Inaccurate payroll information maybe recorded in the general ledger and may not be detected.
- Detailed withholdings and payments may not agree to the recorded withholdings and payments.

Recommended Practices

- Departments should review and reconcile the Distribution of Payroll Expense reports to the General Ledger on a monthly basis.
- Any questionable or irregular entries should be immediately investigated and resolved.
- The reviewer should sign and date reports to signify that the review has been satisfactorily completed.
- Actual payroll costs are compared to budgeted costs for reasonableness.

REFERENCES

Accounting Services & Controls, Payroll
Manager, Sona Baboolal
(805) 893-3259
<http://www.accounting.ucsb.edu/payroll/>

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Purchasing

Purchasing involves the procurement of all goods and services used by all departments at the University. Consideration may include price, quality, service, delivery, and technology.

Definitions

Commodity Agreements: University wide agreements that are used to realize the greatest economic advantage to the entire UC system. A list of the agreements may be obtained from the Purchasing Department or at the following web site:

www.ucop.edu/matmgt.

Low-Value Items: Supplies, repairs and services which do not exceed the authorized limit granted a department. (A limit of \$500.00, including sales or use tax, but excluding transportation, is automatically given to all departments. Upon request to the Director of Materiel Management, and after completion of mandatory training, a department may be granted an authorized limit of \$2,500.00, including sales and use tax but excluding transportation.)

Pool Purchases: A purchase transaction involving two or more campuses or Laboratories which provides that definite or guaranteed minimum quantities of specified items be purchased at fixed prices during a stated period. Pool purchases normally are made on a regularly scheduled basis one or more times a year. The campus Purchasing Department issues orders calling for specific deliveries of pool purchase items.

Purchase Order: A purchase contract written on a University purchase order form which becomes a contract either through execution by both parties, or execution by the University or performance by the supplier.

Purchase Requisition: The document issued by the department to the Purchasing Department requesting the purchase of materials and/or services except for those items allowed under the low value purchase authorizations.

Vendor Blanket: A purchase order to a specific vendor for a specified period of time that is used to facilitate the issue of repetitive orders by departments and is confined to non-inventorial materials.

This section is organized into two main activities:

1. Separation of Duties
2. Authorization and Approval

1. Separation of Duties

Standard

- Separation of purchasing related duties are established so that no one employee has control over every aspect of a purchase transaction.

Potential Consequences

- Unauthorized or unnecessary purchases may occur.
- Purchases of goods and services for personal use could be made.
- Excessive costs may occur.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- To the extent possible, different individuals should be assigned responsibility for:
 1. approving purchase requisitions and orders,
 2. receiving ordered materials,
 3. approving invoices for payment, and
 4. reviewing and reconciling the monthly general ledger.

2. Authorization and Approval

Standard

- All purchase requests are documented in sufficient detail and approved by the appropriate level of management before the purchase is made.

Potential Consequences

- Purchases may occur which are unauthorized, fraudulent or unnecessary.
- Vendors may make claims for payment of unauthorized work performed.
- Excessive costs may occur due to inefficient practices or fraud.
- Improper charges may be made to account/funds resulting in misappropriation of funds.

Recommended Practices

- Purchases, invoices, and Check Requests should be approved only by persons with delegated authority.
- Signature Authorization forms should be up to date and on file in Accounting Services & Controls, Extramural Funds unit.
- The receipt of goods and services should be verified prior to approving invoices for payment.
- Verification should be made that invoiced amounts and all account coding is accurate.
- Verification should be made that payment has not already occurred.
- Low-value purchasing policy requirements should be observed. (See [UCSB Policy 5342, Policy on Low-Value Purchases.](#))

- Orders for controlled substances are not to be placed directly with the vendor. (See [UCSB Policy 5333, Purchasing Materials and Services for UCSB](#).)
- Purchasing policy requirements including the use of Commodity Agreements, pool purchases, conflict of interest and vendor blankets should be observed. (See [UCSB Policy 5333, Purchasing Materials and Services for UCSB](#), and [UCSB Policy 5005, Conflict of Interest](#).)
- Departments should review all invoices for clerical accuracy and appropriateness of purchase prior to payment.

REFERENCES

Purchasing
(805) 893-2555

<http://www.busserv.ucsb.edu/contractsprocurement/purchasing.htm>

UCSB Policy 5005, Conflict of Interest

http://www.policy.ucsb.edu/vcas/admin-serv/5005_conflict_of_interest.html

UCSB Policy 5333, Purchasing Materials and Services for UCSB

http://www.policy.ucsb.edu/vcas/purchasing/5333_purchasing_materials.html

UCSB Policy 5342, Policy on Low-Value Purchases

http://www.policy.ucsb.edu/vcas/purchasing/5342_low-value_purchase.html

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Systems

Information Systems management and security involves the activities necessary to ensure the confidentiality, availability, and integrity of computer processes, application systems, and information processed by those systems. This includes taking ownership of the systems and information, defining requirements, approving changes, providing a secure physical environment for computer equipment, ensuring sufficient security controls are implemented, authorizing and monitoring user access, and ensuring the development of disaster recovery procedures.

This section is organized into four main activities:

1. Managing Systems
2. Systems Acquisitions, Development and Ongoing Maintenance
3. Security
4. Disaster Recovery

1. **Managing Systems**

Standard

- Each department has identified individual(s) responsible for approving system or application design changes, ensuring adequate testing, assigning security classifications, authorizing access to system data files, and handling all other related management considerations.

Potential Consequences

- The University may be liable for misstatement of information.
- Systems may not be fully tested prior to running in production, resulting in data integrity issues and poor management decisions.
- Access and/or changes to systems may not be properly authorized.
- Data loss, modification or theft may occur.

Recommended Practices

- A current list of system and application owners is maintained, updated, and reviewed by a Department Security Administrator (DSA).
- New systems should be developed or acquired consistent with UC and Campus policies, guidelines, and procedures. (See Business & Finance Bulletins, Information Systems (IS) series.)
- Adequate testing is conducted for system changes to verify that requested changes perform properly.
- Acceptance of new systems and system changes are properly authorized and documented.
- Adherence to record retention requirements are maintained. (See [UC Records Management Disposition Schedules](#)).
- Backup information is maintained at a secure, off-site location.
- Disaster recovery requirements are defined and developed.

2. **Systems Acquisitions, Development and Ongoing Maintenance**

Standard

- Departments adhere to policy, procedures, and standards governing the development of new application systems, modifications or conversions to existing systems, and acquisition of third-party software.

Potential Consequences

- Inconsistent methods may be applied or specific procedures bypassed, which may compromise system integrity and reliability.
- Excessive costs may be incurred.
- System changes may not be implemented correctly.
- Problems uncovered during testing may not be adequately resolved.
- Data may be lost or altered.
- End users may not be adequately trained prior to implementation.

Recommended Practices

- New systems should be developed or acquired consistent with UC and Campus policies, guidelines, and procedures. (See Business & Finance Bulletins, Information Systems (IS) series.)
- New systems should be completely tested prior to putting them into operation.
- Systems should be fully documented to include operations, program, and user instructions.
- Systems should include audit trails and edit routines.
- Contact the Office of the Controller to ensure adequate internal controls.

3. **Security**

Standard

- Employees should receive appropriate information on managing and protecting confidentiality of passwords.

Potential Consequences

- Inappropriate information may be shared between employees, departments or business units.
- Data loss, modification, or theft may occur.
- Erroneous management decisions may be made based on inaccurate data.

Recommended Practices

- Passwords are not displayed or stored in areas visible to others.
- All security features that are built into the system and software are utilized.
- Security awareness training is provided to employees, which includes defining acceptable practices.
- User access is authorized, periodically reviewed, and removed when no longer required.

- Employees must adhere to [UCSB Policy 5612, Electronic Mail Policy Implementing Guidelines](#).

Standard

- Equipment, software, and data files should be properly safeguarded against theft, damage, natural disasters or application viruses.

Potential Consequences

- Equipment could be lost, stolen or damaged.
- Data loss, modification or theft may occur.
- Critical business activities may be suspended or discontinued resulting in substantial financial, productivity, or data loss.
- Confidential information may be disclosed.
- The University may be subject to financial liability.

Recommended Practices

- Unauthorized individuals should not have access to University equipment or applications.
- Physical security measures are taken to prevent theft of equipment.
- Procedures are in place to prevent virus replication and software from being copied or implemented illegally.
- Security awareness training is provided to employees.
- Software installed on UC equipment should be authorized and used for UC business purposes. Software use shall conform to copyright laws and licenses.
- Systems, programs, databases, and data files should have logical access security and be physically secure.

4. Disaster Recovery

Standard

- Departments should have backup and recovery processes to ensure continuity of operations.

Potential Consequences

- Systems may not be recoverable.
- Excessive time may be required for recovery.
- Critical business activities may be suspended or discontinued resulting in substantial financial or productivity loss.
- Loss of data.
- Loss of data integrity or accuracy may occur.

Recommended Practices

- Back-up media should be stored in a secure off-site location, remote from the production files.

- Department heads should coordinate the development of a disaster recovery plan for computer systems and applications for which they are responsible. This plan should be periodically updated and tested.
- Departments should maintain software and hardware inventories.
- Backup and other retention services must comply with UC Policies regarding data retention. (Please see UC Business and Finance Bulletin RMP Series-Records Management).

REFERENCES

Information Systems and Computing
(805) 893-2261
<http://www.isc.ucsb.edu/>

Office of the Controller
(805) 893-4095
<http://controller.ucsb.edu>

UCSB Policy 5612, Electronic Mail Policy Implementing Guidelines
<http://www.policy.ucsb.edu/vcas/isc/InterimECImpGuide5612.pdf>

UC Business and Finance Bulletin IS - 3, Electronic Information Security
<http://www.ucop.edu/ucophome/policies/bfb/is3.pdf>

UC Business and Finance Bulletin IS - 10, Systems Development and Maintenance Standards
<http://www.ucop.edu/ucophome/policies/bfb/is10.pdf>

UC Business and Finance Bulletin RMP Series-Records Management
<http://www.ucop.edu/ucophome/policies/bfb/bfbrmp.html>

UC Electronic Mail Policy
<http://www.ucop.edu/ucophome/policies/email>

UC Records Management Dispositions Schedules
<http://www.abs.uci.edu/depts/mailrec/uci-ppm/procs/700/721-11a.html>

References

Departments

Accounting Services and Controls
(805) 893-8593
<http://www.accounting.ucsb.edu>

Accounting Services and Controls, Accounts Payable
Manager, Asger Pedersen
(805) 893-3919
<http://www.accounting.ucsb.edu/disbursement/>

Accounting Services and Controls, Extramural Funds
Manager, Connie Feeley
(805) 893-3259
<http://www.accounting.ucsb.edu/emf/>

Accounting Services and Controls, Payroll
Manager, Sona Baboolal
(805) 893-3259
<http://www.accounting.ucsb.edu/payroll/>

Accounting Services and Controls, Travel
Manager, Dale Pearson
(805) 893-7226
<http://www.accounting.ucsb.edu/travel/>

Administrative Services, Coordinator for general Conflict of Interest
(805) 893-2770
<http://www.vcadmin.ucsb.edu/>

Audit Services
(805) 893-2829
<http://www.audit.ucsb.edu>

Business Services
(805) 893-4440
<http://www.busserv.ucsb.edu>

Human Resources
(805) 893-3166
<http://hr.ucsb.edu/>

Information Systems and Computing
(805) 893-2261
<http://www.isc.ucsb.edu/>

Office of Budget & Planning
<http://bap.ucsb.edu/>

Office of the Controller
(805) 893-7667
<http://controller.ucsb.edu>

Office of Research
(805) 893-4188
<http://research.ucsb.edu/>

Policies

UCSB Instructions for Business Meeting and Entertainment Expense Reimbursement Using Forms U5-8E, U5-8EA, and U5-EW
<http://www.accounting.ucsb.edu/forms/entertainment.shtml>

UCSB Policy 5005, Conflict of Interest
http://www.policy.ucsb.edu/vcas/admin-serv/5005_conflict_of_interest.html

UCSB Policy 5005, Conflict of Interest: Attachment A - Compendium
http://www.policy.ucsb.edu/vcas/admin-serv/5005_attach_a.html

UCSB Policy 5101, Accountability and Internal Control
<http://www.policy.ucsb.edu/vcas/accounting/accountpolicy.pdf>

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