


TO: Account Executives/Principal Investigators

FROM: Jeffrey J. West, Assoc. Vice President - Finance 

SUBJECT: Audit Finding: Failure to Review Monthly Management Reports

DATE: June 24, 2016

We have recently come under some scrutiny from the State Auditors Office for failing to abide by our own policies concerning proper review/oversight of our monthly management reports. These reports are provided electronically to Account Executives (AE) and Principal Investigators (PI) each month, as part of the university's overall program to ensure good internal controls and sound business practices in the responsible stewardship of university funds. The auditors indicated that many of you are delegating this review authority to other individuals on your staff who also initiate financial transactions. This is a violation of policy. As Policy 3-003 states, delegation of management report review should be rare, and done only when no practical alternative exists. If delegation must occur, it should be to someone who is:

- Not involved in initiating or processing financial transactions, and
- Knowledgeable enough about the Activity/Project that they can assess whether transactions are
  - Reasonable, necessary, and for legitimate university business; and
  - Allowable, and consistent with donor or sponsor restrictions

This audit finding is not trivial, and our failure to rectify our practices in this regard could jeopardize our federal research funding. It is important that you evaluate your current review practices for management reports, and take immediate corrective action, if necessary. In your role as AE/PI on the Activities/Projects you oversee, you bear primary responsibility for ensuring that university policies are carried out, and that a monthly review occurs. It is critical that you understand this responsibility stays with you, whether you carry it out yourself or delegate the review to someone else.

Beginning with the review of the June 2016 monthly reports (which you will be reviewing in July), we will require the reviewer to select one of the two Evidence-of-Review (EOR) tools below to indicate, in the system database, that review of the management reports has occurred. This will allow us to better track compliance with the policy referred to earlier. Two actions are required on your part:

1. Reconsider the person(s) to whom you have delegated review authority. If that person is someone who is already involved in initiating or processing financial transactions, you need to change your delegation, or perform the review yourself, as per policy. The GFA functionality (Granting Financial Authority) has been recently enhanced to provide an option for a separate review delegation – i.e., where appropriate, you can delegate your authority to [only] review the

management reports. GFA “roles” are mutually exclusive. For more clarification, see: [http://fbs.admin.utah.edu/help/resources\\_info/grant-authority/](http://fbs.admin.utah.edu/help/resources_info/grant-authority/)

2. After completing review tasks for each Activity/Project, indicate evidence of such review by selecting one of the two EOR options described below, preferably within one month of the reports becoming available to you, but no later than within three months. Quarterly review, synced with the ePAR certification, may simplify administrative tasks for PIs. We encourage multiple reviews, where appropriate.

### Evidence of Review (EOR) Process – Improvements and Compliance

In order to make this review as efficient as possible, we’ve recently re-designed the web pages related to this review function. We’ve clarified the distinction between the tool needed to do the actual review, and those needed to document (provide evidence) that a review has taken place.

Review Tool: **Detail Reports PDF** – provides electronic report images of each Activity/Project for which you are the account executive or principal investigator. This provides the detail of financial activity to be reviewed.

Evidence Tools: **Mark Reviewed** – this indicates that the selected Activities/Projects have been reviewed by you or your approved alternate. “Marking” herein records review, entering ID and date/time stamp into the financial system database.

**-OR-**

**Indicate Review PDF** – allows you to print a one-line summary of each Activity/Project, along with a place to record your wet signature or the signature of your approved alternate. Selecting this option also records the review into the financial system database. This document should be retained in the department.

We will be monitoring these two factors for compliance, and will communicate with your department chairs, deans, and cognizant VPs when such compliance falls short. Thank you in advance for your support of our university policies. Your support helps ensure that our ability to receive and manage federal funds is not jeopardized. As you work with these tools, we encourage you to provide feedback on your experiences. We are always looking for ways to improve our processes.

As a reference, I’ve replicated the verbiage below from University Policy 3-003, “Approvals Required for Financial Transactions” (Section III.F.), which states:

*A key element in the University's system for maintaining control is review and approval of the monthly accounting statements. The statements should be reviewed and approved by the AE/PI, or by an approved alternate separate from the individual(s) who initiate transactions. The AE or PI should not seek to delegate this function, and may do so only when there is no practical alternative. If review and approval authority must be delegated, it is imperative that the AE or PI remain sufficiently involved to be knowledgeable about financial matters and exert meaningful oversight. Evidence of Review (EOR) should ordinarily be completed within one month of receipt of the management reports. (emphasis added)*

c: President’s Administrative Council, Deans, Department Chairs