



Annual Financial Statement Certification FAQs

These FAQs were prepared by the Office of Accounting and Business Services (ABS) to assist covered employees in completing the Annual Financial Statement Certification. The FAQs provide additional information regarding the certification process, including its scope, accounting terms, and the responsibilities of employees subject to the Policy (see [Appendix A](#) for the list of employees required to complete the certification).

1. Why do I have to sign the certification?

The Annual Financial Statement Certification process is a critical element in satisfying the external audit standards and in ensuring the accurate and fair presentation of the financial statements.

The University issues audited financial statements annually in compliance with federal and state regulations. The financial statements are derived from the University's general ledger, which is maintained in the accounting system (i.e., the Banner Finance system). The general ledger summarizes economic events or transactions initiated, authorized, and reviewed by those with budget authority. In order to ensure the integrity of the financial statements, it is crucial that all transactions are properly recorded in the general ledger in the correct accounting period.

As part of the external audit, the auditors require a letter from ABS certifying that the general ledger transactions are complete and accurate at the University, division, and department level. The annual certification process, therefore, represents a key component in demonstrating the University's compliance with this requirement.

2. What if I disclose a matter on the certification?

An ABS staff member will contact you to determine if there is any financial statement impact related to your response. If there is a material impact to the financial statements, an appropriate adjustment will be made in the general ledger and the financial statements.

3. Will there be any consequences for me personally if I disclose a matter in answering the questions on the certification?

No. The purpose of the certification is to determine if there are any reporting errors impacting the financial statements. ABS, however, may use this information to improve its business processes by implementing new procedures or modifying existing ones to prevent the reoccurrence of similar errors.

4. What if I am aware of an instance of fraud but have not reported it for fear of retaliation?

University policy prohibits retaliation for reporting suspected fraud and other misconduct. Employees, however, may use the University's whistleblower hotline to anonymously report such activity. See [Whistleblower Policy](#).

5. What are internal controls?

Internal controls include both manual and automated procedures implemented by the University to ensure the integrity of the financial statements and compliance with laws and regulations. They include procedures that govern the manner in which resources are directed, monitored, and measured. They also play an important role in preventing and detecting fraud and protecting the University's resources, both physical and intangible. Examples of internal controls include obtaining secondary approval of purchases by an authorized individual, review of payroll labor distribution reports for accuracy and completeness, the timely deposit of any cash receipts with the University Cashier, and the consistent application of University policies and procedures.

6. What is considered a material impact to the financial statements?

The objective of financial reporting is to provide information that will assist University stakeholders in decision making. Any error that could influence a decision made by a user of the financial statements is considered a material error. In general, a material error is an omission or misstatement of accounting information that would make it probable for a reasonable person relying on the information to be influenced by the omission or misstatement.

7. What is a transaction?

A transaction is an event or a condition that is recorded on a University account (i.e., FOAPAL). Examples include purchases (e.g., cash, check, and credit card

purchases), interdepartmental charges, and payroll charges. Transactions also include revenue items such as gifts and contributions, student tuition and fees, ticket sales, parking permit sales, and other miscellaneous revenue items.

8. What are receivables?

Generally, receivables are monies owed to the University for teaching or other services provided to students or for unconditional promises to give (i.e., gift pledges).

9. What are liabilities?

Liabilities generally include monies owed by the University for goods and services received and other events and transactions, including debts, refunds, awards, potential losses, and claims resulting from early retirement and separation agreements.

10. What is an accrual?

An accrual is an accounting term used to recognize economic events regardless of when cash is received or disbursed. For example, it refers to a situation where goods and services have been received but payment has not been made, or when revenue has been earned but payment has not been received.

11. How will I know that all material transactions have been properly processed and recorded?

The Monthly Budget Status Report should be reviewed to confirm that the report includes all significant revenue and expenditure transactions approved by your department. Additionally, payroll charges to your account(s) should also be reviewed on a monthly basis for accuracy and completeness. See [Department Payroll Controls Policy](#).

12. What types of cash must be reported?

All cash received by a department must be deposited with the University Cashier and recorded in the University's accounting system. Please note that departments are not authorized to maintain petty cash funds. The University Cashier is available for petty cash needs. In addition, departments do not have the authority to open a University banking or investment account. See

[Department Cash Handling Policy](#). If your department has an existing bank account or petty cash fund, please contact ABS.

13. What would be considered a financial reporting deficiency with respect to a regulatory agency?

An error in a report submitted to an external funding agency (e.g., the National Science Foundation) would represent a financial reporting deficiency which could jeopardize any future funding provided by the agency. Any communication from an external agency indicating that the University may be fined, penalized, or lose its funding due to purported non-compliance should be reported immediately to ABS.

14. What types of contractual agreements might I have in my department?

Below are examples of contractual agreements that you might have in your area of responsibility:

- Software licensing and/or maintenance agreements,
- Service contracts in which the University has agreed to provide and/or receive certain services,
- Contract and grant agreements (private or governmental),
- Early retirement agreements,
- Separation agreements, and
- Legal settlements.

15. What regulatory agencies might I have exposure to in my department?

Below is a partial list of federal and state regulatory agencies, which could be in contact with a department:

Federal

- Department of Health & Human Services
- Department of Labor
- Environmental Protection Agency
- Internal Revenue Service
- National Science Foundation
- Occupational Safety and Health Administration

State

- Board of Equalization
- Employment Development Department
- Franchise Tax Board

16. What are possible violations of laws or regulations?

Examples of violations include inaccurate reporting and approval of federal work-study hours, not properly reporting overtime for nonexempt employees, not accruing use tax in connection with out-of-state purchases of tangible personal property, disposing of electronic waste with regular trash, etc.

17. What is a guarantee?

A guarantee is an exchange of promises or an agreement between two or more parties that may be legally binding--similar to a contract.

18. What is a donor-imposed restriction?

A donor may make a contribution to the University and place certain restrictions on how the funds are to be used. The restrictions may be limited as to purpose and/or time in determining how the funds may be used by the University.

19. What is a related-party transaction?

A related-party transaction is a business contract or arrangement between two parties who are connected by a special relationship prior to entering into the contract or arrangement. For example, a business transaction between a member of the Board of Trustees and the University, such as a contract for a board member's company to perform renovations to a University building, would be treated as a related-party transaction. Another example would be the University purchasing new vans through a dealership that is owned by a relative of a Leadership Team member. Such transactions must be disclosed in the University's audited financial statements and tax returns and are potentially subject to other disclosures (e.g., to the Board of Trustees). Therefore, all related-party transactions must be reported to ABS.

Requests for additional information should be sent to Frank Wasilewski or Suzanne Greva. See [Additional Contacts](#).

