



## UNIVERSITY POLICY

<b>SUBJECT:</b>	FINANCIAL AFFAIRS	<b>TITLE:</b>	FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES		
<b>CATEGORY: Check One</b>	<b>Board of Trustees</b> <input type="checkbox"/>	<b>Presidential</b> <input type="checkbox"/>	<b>Functional</b> <input checked="" type="checkbox"/>	<b>School/Unit</b> <input type="checkbox"/>	
<b>Responsible Executive:</b>	VP for Finance & Treasurer		<b>Responsible Office:</b>	Controller	
<b>CODING:</b>	00-01-50135:00	<b>ADOPTED:</b>	10/29/07	<b>AMENDED:</b>	10/29/07
				<b>LAST REVIEWED:</b> 10/29/07	

### I. PURPOSE

This policy delineates the financial management responsibilities required by the University. It is the responsibility of every faculty and staff member who is involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls.

This policy provides general principles and guidelines to promote proper accounting and effective financial management and control over revenues, accounts receivable, expenses and other financial transactions. The information contained in this policy shall be used to develop unit specific procedures to ensure compliance with this policy.

This policy defines the guiding principles for financial control, essential department level requirements for financial control and provides an outline of the roles and responsibilities that are required by the University at each level of the organization.

### II. ACCOUNTABILITY

Under the direction of the Senior Vice President for Finance, the Vice President for Finance and Treasurer shall ensure compliance with this policy. The Controller shall implement this policy.

### III. APPLICABILITY

This policy applies to all university funds and all university employees.

### IV. DEFINITIONS

- A. **Accrual Basis Accounting** - An accounting method that recognizes revenue when it is earned, not when the cash is received; similarly, the accrual basis of accounting requires that expenses be recorded when they are incurred, not when the cash is disbursed.
- B. **Bad Debt** - Bad debt is an adjustment due to the extension of credit to an individual or entity that ultimately cannot or will not meet their financial obligation. Unlike contractual adjustments or discounts, bad debts are incurred without an *elective* decision. Bad debts can represent the unpaid obligation for care provided to patients who have been determined to be able to pay but have not demonstrated a willingness to do so.

- C. **Cash Basis Accounting** - Reporting revenues or expenses on the basis of when funds are actually received or disbursed is considered cash basis accounting. Under this method, no consideration is given to when the service was rendered or an expense was incurred, only when cash was collected or disbursed.
- D. **Contractual Adjustments/Allowances** - Contractual adjustments/allowances are the difference between the fully established provider rate for a rendered service and what a third party is willing to pay for the service and the provider is willing to accept as payment. Contractual adjustments are a subset of the general category of discounts and pertain strictly to payment agreements with insurance providers. A contractual adjustment can range from the acceptance of a payment for services rendered at less than the established rate to a write down of the account receivable balance resulting from noncompliance with contractual terms.
- E. **Credit Balance** - A credit balance occurs within an account when the amount paid to UMDNJ for a specific service or set of services exceeds the entered charges. Overpayment may be caused by collecting receipts in excess of contracted amounts, by being paid more than once in a manner that results in a total payment in excess of the charge for services rendered, by being paid by more than one party for the same service, etc.
- F. **Days in Accounts Receivable (Gross)** - The days in accounts receivable (gross) is the value of the gross A/R balance at a point in time divided by the average charges per day (annualized charges divided by days of service) for a specified period.
- G. **Gross Accounts Receivable** - The gross accounts receivable (A/R) reflects the outstanding amounts from the charges generated from the providers established fee rates, regardless of collection amounts, contractual adjustments or other adjustments.
- H. **Internal Controls** - A process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
- effectiveness and efficiency of operations,
  - reliability of financial reporting, and
  - compliance with applicable laws and regulations.
- Internal Controls are tools that help managers to be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law.
- I. **Net Patient Service Revenue** - Net patient service revenue represents gross billings less adjustments for bad debts, discounts and contractual adjustments.
- J. **Net Realizable Value (Net A/R)** - Estimated net value of an asset after reductions for allowances for uncollectible amounts, provisions for contractual adjustments, and discounts recorded to reflect the net present value of long-term receivables. The net realizable value of accounts receivable is determined by reducing the gross accounts receivable by estimated allowances for contractual adjustments, discounts and uncollectible charges. These allowances incorporate estimates of submitted but not yet denied claims, estimates of money due from patients or guarantors that is expected to be uncollectible and discounts not considered or reflected in the insurer contracts. The net realizable value of the A/R should be calculated and reported on a monthly basis.
- K. **Revenue** - Increases in, or enhancements of, assets resulting from: (1) delivery or production of goods, (2) rendering of services, (3) receipt of unconditional contributions from donors, (4) employment of certain assets (e.g. student loans) and (5) other revenue-generating activities. In general, a reimbursement of an individual expense item (e.g. telephone, tolls) does not constitute revenue in accordance with generally accepted accounting principles.
- L. **University Funds** - All funds appropriated, generated, awarded, donated or otherwise received by the University regardless of their source.

- M. **Unrestricted Funds** - Funds that are not subject to external limitations and therefore are available to support operations in accordance with university, state and federal policies such as state appropriations, tuition revenue, etc.
- N. **Restricted Funds** - Funds awarded to the University from outside sources that limit their use to specific purposes such as research grants, contracts, student scholarships, etc.

V. BACKGROUND

Sound financial management practices, State of New Jersey statutes and fiscal rules, and federal regulations require the University to implement fiscal policies and procedures that:

- reasonably ensure the fiscal impact of University operations is planned, controlled, and accurately accounted for in the University's financial records;
- reasonably ensure financial transactions comply with applicable policies, laws, regulations, rules; contracts, grants, donor restrictions; and generally accepted accounting principles; and
- require an internal control environment to accomplish the above two objectives.

This policy establishes the fiscal roles and responsibilities of employees by providing additional clarification and guidance regarding the framework within which financial management occurs.

VI. REFERENCES

- A. Code of Ethics: General Conduct 00-01-10-05:00
- B. Approving Purchasing and Payment Transactions 00-01-10-135:00
- C. Petty Cash Funds 00-01-50-70:00
- D. Grants and Contracts: Administration 00-01-50-90:05
- E. Purchasing Process 00-01-60-05:00

VII. POLICY

A. Requirements:

The University has a fiduciary responsibility to fulfill its overall mission ethically and in compliance with applicable policies, laws, regulations and rules. Accordingly, the University is obligated to take reasonable actions to ensure that:

1. University funds are used only for official University business;
2. University funds are accounted for accurately in the University's financial records; and
3. the University maintains Internal Controls designed to accomplish the following objectives:
  - a. Protection of assets, such as facilities, data, equipment, supplies, inventory, accounts receivables and cash (including checks and credit card payments), from unauthorized access or theft;
  - b. Adequate authorization and record-keeping procedures to achieve accuracy and reliability of accounting data and other management information;

- c. Promotion of operational efficiency and effectiveness;
  - d. Compliance with all applicable policies, laws, regulations and rules
  - e. Proper segregation of duties so that no one controls all phases of a transaction; and
  - f. An effective process of continuous assessment and adjustment for any changes in conditions that affect the internal controls.
4. University funds are managed using the following principles for financial control:
- a. An optimal control environment with clearly defined roles and responsibilities, policies based on principles rather than procedures, and a minimal number of exceptions to those policies.
  - b. Centralized management reporting as a control method reducing emphasis on individual transactions and allowing management to monitor trends.
  - c. Review and approvals provide controls by utilizing clear definitions of what the approvals mean while establishing materiality levels for consistent and meaningful approvals.
  - d. Appropriate documentation standards ensuring compliance with both internal and external requirements.
  - e. The role of the Controller's Office and Internal Audit focusing on high risk or high exposure areas, and through the use of internal control self-assessment programs, assisting units to implement best practices in establishing unit control policies and procedures.

B. Responsibilities:

- 1. Senior Vice President for Finance
  - a. Ensure that the fiscal practices of all units comply with university policies, external rules and regulations and generally accepted accounting principles.
  - b. Ensure policies, procedures and user manuals are maintained to enable timely and effective implementation of this policy.
  - c. Review monthly, quarterly and annual financial statements and prepare submission to Executive Management, Board of Trustees Finance Committee and Board of Trustees.
  - d. Support executive management in the areas of financial reporting and analysis.
  - e. Act as liaison with external agencies regarding financial matters.
  - f. Ensure that the consolidated financial reports for the university are compiled in accordance with GASB and GAAP.
- 2. Vice President for Finance and Treasurer
  - a. Work with the Controller's Office and the Senior Vice President for Finance to develop and implement policies and procedures that promote proper accounting, effective monitoring and the maintenance of a sound internal control environment.
  - b. Ensure training programs are conducted to educate unit fiscal officers/staff and departmental administrators with respect to financial policies and procedures.

- c. Review and approve monthly/annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).
- d. Confirm monthly/yearly closing schedules are developed in consultation with appropriate areas of the University.
- e. Review monthly, quarterly and annual financial statements and prepare submission to Senior Vice President for Finance.
- f. Oversee control of all University financial activity at a high-level through review of variance analysis of all financial statement accounts to detect possible errors and validate explanations for significant fluctuations.
- g. Ensure technical accounting, training and resources are provided to the various schools/centers and related entities as appropriate.
- h. Ensure accounting and reporting issues are researched and resolved and that the impact of new accounting guidance on the University is analyzed.
- i. Act as the administrative contact point for the independent auditors' examinations.
- j. Ensure that the consolidated financial reports for the university are compiled in accordance with GASB and GAAP.

3. University Controller

- a. Under the direction of the VP, Finance and Treasurer, develop policies and procedures that promote proper accounting, effective monitoring and the maintenance of a sound internal control environment.
- b. Assure that the fiscal practices of all units comply with university policies, external rules and regulations and generally accepted accounting principles.
- c. Oversee the accounting activities associated with University policy, Grants and Contracts: Administration, 00-01-50-90:05.
- d. Review reconciliations, accounts receivable valuations, account activities and balances, and trends to ensure that the G/L is complete and accurate and that financial controls (including monitoring mechanisms) are functioning as intended.
- e. Develop and maintain additional policies, procedures and user manuals to enable the timely and effective implementation of this policy.
- f. Develop and conduct training programs to educate unit fiscal officers/staff and departmental administrators with respect to financial policies and procedures.
- g. Prepare monthly/annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).
- h. Establish monthly/yearly closing schedules in consultation with appropriate areas of the University.
- i. Coordinate monthly, quarterly and annual financial statements reviews and submission to senior management.

- j. Monitor control of all University financial activity at a high-level through preparation of variance analysis of all financial statement accounts to detect possible errors and/or provide explanations for significant fluctuations.
- k. Provide technical accounting, training and resources to the various schools/centers and related entities as appropriate.
- l. Research and resolve accounting and reporting issues, and analyze the impact of new accounting guidance on the University.
- m. Coordinate university-wide financial systems development and operations.
- n. Develop and prepare consolidated financial reports for the university compiled in accordance with GASB and GAAP.

4. Unit Fiscal Officer

- a. Ensure compliance with policies, procedures and user manuals, as appropriate, to enable the timely and effective implementation of this policy.
- b. Develop and conduct training programs, as appropriate, to educate department administrators and staff with respect to financial policies and procedures.
- c. Work with departmental administrators and staff to facilitate appropriate collection of data and the timely input of data into the Banner system.
- d. Produce monthly and ad hoc reports as needed to facilitate review of financial activity.
- e. Develop and prepare consolidated monthly, quarterly and annual financial reports as applicable for their respective units as part of the University-wide reporting package. These reports must be compiled through consistent application of unit policy guidelines.
- f. Provide guidance to department administrators on topics encompassed in this policy and related policies and procedures.
- g. Work closely with department administrators and staff to foster and promote compliance with UMDNJ, state and federal regulations.
- h. Oversee the accounting activities associated with their unit and respective unrestricted operating funds.
- i. Perform timely reconciliation of account balances, investigate unusual trends and activities, and report on the status of such reconciliations and reviews to the Controller's Office on at least a quarterly basis. Ensure adequate supporting documentation is available for review, as needed.
- j. Ensure all journal voucher entries are prepared in accordance with Controller's Office, Data Control procedures.
- k. Ensure all non-Banner system reporting ties to Banner general ledger balances and activity.
- l. Work with the Controller's Office staff to ensure file maintenance is current and accurate and that G/L mapping rules are maintained.
- m. Perform the monthly valuation of accounts receivable, develop and record appropriate reserves for contractual adjustments, discounts and uncollectible charges.

- n. Work with the Controller's Office and Internal Audit to maintain a robust financial control environment and minimize the risk of financial loss and/or noncompliance with applicable regulations.
- o. Provide monthly analyses and reports of revenues/expenses associated with the unit.
- p. Ensure timely resolution of account deficits/credit balances.
- q. Provide timely and accurate responses to all internal and external audit requests for information.

C. Enforcement:

- 1. The University is subject to two major audits each year:
  - a. Annual Examination of Financial Statements conducted by an independent accounting firm.
  - b. Compliance examination for all federal programs under the provision of OMB circular A-133.
- 2. The Internal Revenue Service, Office of Inspector General, State Commission of Investigation and granting agencies, may also conduct periodic audits.
- 3. Internal reviews/audits may also be conducted by the Internal Audit and Compliance Departments
- 4. Completion of these varying requirements are met by:
  - Timely compliance with the annual closing schedule
  - Understandable chart of accounts structure
  - Appropriate classification of transactions
  - Compliance with encumbering/procurement guidelines; and
  - Compliance with University, state and federal guidelines and regulations.

VIII. PROCEDURES

- A. Each Unit's Fiscal Officer is responsible for developing and maintaining appropriate financial processing/reconciliation procedures for their unit to include such as:
  - 1. Departmental Fiscal Officers should perform the following monthly financial review using Banner, e-Print, Controller's Report Library or any applicable patient accounting system:
    - a. Review Data – Look for unusual activity or balances:
      - i. Review unusual fluctuations in balances or activity levels for the period.
      - ii. Review activity for reasonableness.
      - iii. Review accounts for natural (debit/credit) balances.
      - iv. Review accounts with no balance changes.
      - v. Review for balances in clearing accounts with a "normal" zero balance.
      - vi. Identify deficit spending.
    - b. Comparison of Data - Look for unusual activity or balances by comparing actual data for different periods or to source data:
      - i. Compare beginning balances for current period to ending balances from prior period.

- ii. Compare budgeted revenue and expenditures with actual activity for the period.
    - iii. Compare current period activity with prior period activity.
    - iv. Compare current year activity and balances with same-period last year.
  - c. Analysis:
    - i. Compute variances.
    - ii. Prepare a roll-forward.
    - iii. Perform trend analysis.
    - iv. Track key ratios and statistical data.
    - v. Investigate unusual and significant variances to budget or prior periods.
  - d. Distribution of Data:

Distribute appropriate financial information internally to respective departmental/cost center managers for appropriate review/analysis.
- B. The Controller is responsible for developing and maintaining appropriate financial processing/reconciliation procedures to include the following monthly/annual review using Banner, e-Print, or the Controller's report library:
  - 1. explanations provided by the units for fiscal results and variances.
  - 2. reconciliations and analysis provided by the units as part of the year end audit, before releasing such information to the external auditors.

By Direction of the President:

---

Senior Vice President for Finance