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Memorandum

To: Department Financial and Research Administrators

From: Gillian Emmons, University Comptroller

Date: September 22, 2015

Subject: General Principles for after-the fact Review of Financial Transactions –
and an Invitation to help develop Detailed Guidance

Dear Colleagues,

This summer, as we have closed our books and completed our external financial statement audit, we have been thinking a lot about the University's internal control environment, its strengths, and also how we can provide better information and support to our departments, the real "front line" of internal control.

I have been at BU as Comptroller for five years now, and have been very impressed by the University's strong internal control culture. We value the ability to approve most payroll and purchasing transactions in advance; and, after-the-fact financial controls are also strong. These include reviews by central offices (Property, Research Accounting, and General Accounting), a disciplined process of monitoring performance against budget, and most importantly, the monthly reviews done in departments of financial transactions posted to their accounts.

After the fact reviews can be very powerful, and departmental staff, with their direct knowledge of the activities and programs in their departments, are ideally situated to evaluate whether transactions posted to their accounts are accurate, complete, and posted to the appropriate account, to raise questions about unusual or inappropriate transactions, and to inform their managers of variances from budget, or significant changes in actuals from one year to the next.

Historically, guidelines for review of financial transactions have been set by each School, College, or Department. With the change to the SAP system, and the introduction of the Concur system, the control environment has changed, and for some transactions, there is now more reliance being placed on these after-the-fact controls. As departments update their own review processes to align with these new systems, here are some guidelines to structuring an effective review process:

GENERAL GUIDELINES FOR AFTER-THE-FACT TRANSACTION REVIEW

- (1) An effective review and reconciliation process should happen every month, as close after the end of the month as possible.
- (2) The details of the review process in each department can vary, depending on the nature of the activity in that department. In all departments, more time and attention should be spent on higher risk, higher dollar transactions; each department has to determine a materiality level for their reviews, and this will vary.
- (3) The process itself should be documented in writing; who carries it out, what reports are used, who is the reviewer, and how the various transaction types are evaluated – when is it necessary to match to supporting documentation, when is a reasonableness check sufficient, et cetera.
- (4) There are several reports within the Business Warehouse that can assist with reconciliation of departmental activity. These include, but are not limited to: the Unrestricted Budget to Actual by FC – GL/CI Detail report, the Designated/Restricted Balance & Activity – GL/CI Detail report, Transaction Detail report, and the Transaction Detail w/Payroll Detail report. Each department's review and reconciliation process should be designed to meet these objectives:
 - Transactions must be **recognizable** and represent items that were authorized and approved by the departments' manager/supervisor.
 - Transactions must be **supported** by adequate documentation (e.g.: an invoice, ISR, etc...)
 - Transactions must be **appropriate** and **allowable**, representing revenues and expenses for activities for the department and are recorded in the correct cost object (e.g.: cost center, internal order, and general ledger account.)
 - The transaction dollar amounts are **reasonable** and **within budget**.
 - Any variances must be followed up and resolved within a timely manner, with the resolution documented

INVITATION TO PARTICIPATE IN DEVELOPING UNIVERSITY GUIDANCE

And, to better support the University's internal control environment, the Comptroller's Office is working on the development of University guidance and templates for department after-the-fact transaction reviews. Most peer universities of our size and complexity have developed and published such guidelines, and they vary widely, from the very high level, to the very detailed. To better understand the nature of our own review processes, and to develop the kinds of materials that would be most useful to the BU community, we are planning to hold a series of focus groups this fall and winter. If you would like to participate in a focus group, please contact Susie Mankiewicz, the Associate Comptroller for Reporting & Information Systems, at smankiew@bu.edu.

Thank you to everyone for helping us close out the University's books and records this year, we very much appreciate your help and support.

Sincerely,

Gillian Emmons
University Comptroller