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Chapter 8: Reporting [1]

The following procedures cover annual financial statements; state-generated financial statements; required reconciliation to the state financial system; indirect cost allocations; and, accounting for indirect cost recoveries.

Procedure 8-1 ANNUAL FINANCIAL STATEMENTS

Annual financial statements prepared by the University shall be submitted to and approved by the Regents Audit Committee. Unless otherwise provided by this fiscal Procedure, financial statements shall be prepared by the Office of University Controller in accordance with generally accepted accounting principles (GAAP) as adopted by the Governmental Accounting Standards Board (GASB) and shall reflect the financial activities of University.

The University (or its external auditor) may provide draft financial statements to the Office of the State Auditor to facilitate a timely and efficient audit. Draft financial statements and accountant work papers are not public records.

Procedure 8-2 STATE-GENERATED FINANCIAL STATEMENTS FOR THE UNIVERSITY

The state financial system generates a balance sheet and an income statement for the University utilizing the CORE system. These system-generated statements are considered acceptable financial statements for any purposes of the State Controller. The University shall continue to provide information to the State Controller, including exhibit information required in the fiscal year-end closing instructions issued by the State Controller and any post-closing adjustments, as necessary.

Procedure 8-3 REQUIRED RECONCILIATION TO THE STATE FINANCIAL SYSTEM

Financial Statements prepared by the University shall be reconciled to the state financial system. A copy of this reconciliation shall be provided to the State Controller.

The University shall prepare quarterly financial reports. Quarterly financial reports shall be available for use by the Regents Audit Committee and others for planning purposes and decision making.

The University's financial system shall be the system used to record the University's financial information and the system from which standard reports shall be prepared.

The University Controller shall determine what is reasonable and necessary to be included in the report, the funds which are to be included, and the date each report is due.

Each quarterly reporting period shall be regarded as an integral part of the fiscal year. Revenues shall be allocated to quarterly reporting periods in accordance with generally accepted accounting principles. *Expenditures such as salaries, operating expenditures, and accruals of expenditures* shall be allocated to interim periods in which they are incurred or, where appropriate, allocated among quarterly periods on the basis of benefits received or time expended. Arbitrary assignment to a quarterly period shall not be allowed.

Procedure 8-4 COST ALLOCATION PLANS

The University shall prepare a documented indirect cost allocation or indirect cost rate proposal/plan that assigns indirect costs to their programs, activities, and services relative to their benefits received from the activities whose costs are being allocated or on another equitable relationship. The allocated costs shall be used as the basis of recovering indirect costs from the federal government, determining fees for program services and activities, and assessing the cost effectiveness of a program or activity.

The University shall use a cost allocation methodology that assures that the allocations made through the methodology represent a service/benefit or other equitable relationship between the costs of the services provided and the value of the benefits received by users of the services.

The University shall periodically review its cost allocation methodology to ensure that the methodology represents the best allocation attainable. Allocations should be reconciled to actual expenditures to ensure all costs have been captured and allocated.

When the University receives federal funds, it shall prepare a federal indirect cost rate proposal/plan in accordance with OMB A-21 and sign an indirect cost rate or allocation methodology agreement with the federal government. The University's federal indirect cost rate proposal/plan shall include all costs allocated to the University in the federal indirect cost allocation plan and other approved cost allocation plans.

Grants, contracts, and other agreements that do not allow for the recovery of the full cost incurred under the agreement should be closely evaluated to determine if their acceptance is cost effective and in the best interest of the University.

Indirect Cost recoveries shall be recorded when earned in separately identifiable accounts as

determined by the University Controller.

Revenues from indirect cost recoveries shall not be deferred at the end of the fiscal year.

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