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Financial Management – Draft Updates

University Policy Number 2114 (Formerly Reconciling Dept. and Sponsored Fund Accounting Records)

Policy Procedure:

- Reconciliation Procedures (will be updated based on Policy)

Related Law & Policy:

- Policy 1102: Records Management
 - Policy 2103: Internal Controls
 - Policy 4012: Principal Investigators
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I. SCOPE

This policy applies to all George Mason University faculty, staff and students who administer or oversee financial transactions for the university.

II. POLICY STATEMENT

George Mason University maintains an effective financial management system in order to provide accurate and reliable fiscal reporting and to protect university assets. A strong financial system is achieved by managing fiscal risk and maintaining accountability and effective controls.

All financial transactions must be the result of official university business and/or agency transactions. This policy covers essential financial accountability and reconciliation practices.

III. DEFINITIONS

- A. Banner Finance: Part of the Banner Enterprise Resource Planning (ERP) software suite used to record financial transactions resulting from activity at the university.
- B. Cost Center: A subset of the university's financial reporting identified by one or more accounting elements (such as a Grant, Fund, Organization), alone or in combination, which is the subject of fiscal oversight.
- C. Certification: Documented evidence of the reconciliation completion.

- D. Financial Transactions: Any activity that affects the value of university assets, liabilities or equity. Comprised of transactional entries into the Banner Finance system that form the foundation and support for the university's financial statements.
- E. Direct Expense: Non-labor related costs (such as, travel, consulting, utilities, and other business expenses).
- F. Labor Expense: Costs related to university payroll (such as, salary and fringe benefits)
- G. Encumbrance: Financial commitments for purchase orders issued or positions filled.
- H. Recharge: Interdepartmental charge for goods or services provided by one internal office to another.
- I. Reconciliation: A periodic review of financial activity recorded in Banner Finance to ensure that all transactions are accurate and complete. See Reconciliation Procedures for detailed guidance.
- J. Revenue: Inflow of funds from ongoing university operations (such as, Tuition and Fees).

IV. ELEMENTS OF FINANCIAL RESPONSIBILITY

- A. All financial transactions including revenues generated by university activities and all business expenditures must be recorded and accounted for within Banner Finance.
- B. All transactions should include accurate descriptions and sufficient supporting documentation to allow for the preparation of financial statements.
- C. All financial transactions must be recorded timely and accurately, with the true business nature of the transaction clearly identified. Specific guidance pertaining to the timely posting of transactions is available in the Reconciliation Procedures.
- D. No transaction, whether recorded directly into the general ledger or indirectly from a subsystem, nor any supporting documentation, shall be deliberately left incomplete or distorted. Payments made on behalf of the university are to be approved with the understanding that the payment is for the purpose described on the supported documents.
- E. Reconciliations of transactional activity must be performed and documented on a regular basis throughout the fiscal year, according to the Reconciliation Procedures. A certification signed and dated by the reconciler performing the reconciliation as well as by the approver or PI responsible for its review must form part of the reconciliation documentation.

V. RESPONSIBILITIES

A. Deans and Heads of Administrative Units

Deans and heads of administrative units are responsible for establishing and maintaining an effective internal control structure for their area that adequately safeguards assets and provides reasonable assurance over the recording of financial transactions, including compliance with this policy.

B. Financial Managers/Directors

Financial Managers/Directors must ensure that controls within their unit are monitored and operating effectively, and that processes and procedures are properly documented. Financial Managers/Directors assure that financial transactions are being reviewed and reconciliations completed, conducted timely, and certified by the reconciler and approver.

C. Department Reconcilers

Reconcilers verify and certify that entries in Banner Finance are properly recorded and supported by documentation. Any discrepancies/reconciling items encountered are documented and adjustments prepared if necessary. In the case of restricted accounts, reconcilers also verify that transactions comply with sponsor or donor-imposed restrictions on the use of funds.

D. Department Approvers

Approvers review and certify that financial activity recorded in Banner Finance and results of the reconciliation(s) appear reasonable and accurate. The review should include a comparison of budget to actual and year-over-year actual results where applicable, and trends or areas of concern should be identified. For significant deviations from expected results, variances should be investigated and reasons documented, along with any necessary corrective action plan.

E. Principal Investigators (PIs)

PIs are required to review the financial activity for sponsored projects and certify that the results of the reconciliation(s) appear reasonable and accurate. The review should ensure that transactions are made for the intended purpose of the grant or contract, and in accordance with sponsor requirements as well as university policies and procedures for their sponsored funds. The PIs' review should include analysis of reconciling items and the appropriateness of the follow-up.

F. Associate Vice President and Controller

The Associate Vice President and Controller is responsible for the accuracy, integrity, and overall management of the university's financial system and should be consulted on any matters relating to accounting policies and procedures. The Controller is responsible for monitoring and ensuring that the provisions of this policy are observed in conjunction with the Office of Sponsored Programs as they relate to sponsored funds.

VI. TIMELINE

All Banner cost centers must be reconciled in a timely manner on a monthly or bi-monthly basis (period). Reconciliations must be prepared, approved and certified not later than two months after the last day of the reconciled month/period. For example, financial transactions for the month/period ended July 31 must be reconciled, approved and certified by September 30. Except in extenuating circumstances, reconciling items should generally be resolved not later than three months from the last day of the reconciled month/period. For example, the reconciler has identified an error related to a July 25 transaction on the report for the month/period ended July 31. The reconciler should process the correction by October 31. The reconciler must document efforts to escalate open issues.

Special care should be taken to ensure correcting entries are fully processed before the end of the university's fiscal year (June 30), even if this results in less than three months available for such corrections. Correcting entries relating to the prior fiscal year should be limited to those impacting funds that carry balances across fiscal years (e.g., sponsored projects) and will be evaluated by Fiscal Services for appropriateness before posting.

VII. COMPLIANCE

A. Commonwealth Accounting Policies and Procedures

The Commonwealth Accounting Policies and Procedures (CAPP) Manual is written and published by the Department of Accounts (DOA) to provide authoritative guidance on the application of accounting policies, procedures and systems pursuant to Section 2.2-803 of the Code of Virginia. The CAPP Manual provides a standardized approach to fiscal and accounting matters within the authority of the State Comptroller. Accordingly, the University currently operates a system of independent financial management policies guided by the general principles contained in the Commonwealth's Accounting Policies and Procedures.

B. Federally Sponsored Funds

Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) requires that recipients' financial management systems shall provide for the following: accurate, current and complete disclosure of the financial results of each federally-sponsored project or program; effective control over and accountability for all funds, property and other assets; records that adequately identify the source and application of funds for federally-sponsored activities; comparison of outlays with budget amounts for each award; written procedures for determining the reasonableness, allowability, and allocability of costs; and accounting records that are supported by source documentation.

Failure to comply with federal regulations may result in repayment of disallowed costs and assessment of fines, penalties, and interest by the federal government.