



Fiscal Responsibility

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1.0 Purpose

Virginia Tech is entrusted with resources to execute its tri-part mission of teaching, research, and engagement/service. As the recipient of these resources, the university has a fiduciary responsibility to establish and implement effective policies and procedures. These rules have been established to promote fairness, transparency, and accountability in financial practices, and by strictly adhering to them the university demonstrates our dedication to being responsible stewards of these resources. This policy is part of the university's foundation for implementing responsible financial management practices throughout our organization. Compliance with complex federal and state spending rules is essential for maintaining the trust of our stakeholders.

Fiscal responsibility requires the establishment of internal controls that include organizational processes and procedures designed to verify the integrity, accuracy, and reliability of accounting data and other management information. Internal controls are the system of checks and balances that prevent or detect errors, irregularities, and omissions; ensure compliance with university policies and procedures and state and federal laws and regulations; and safeguard university assets. Errors and irregularities include, but are not limited to, data entry errors, duplicate payments, and inappropriate, unallowable, unauthorized, unreasonable, or fraudulent transactions. Internal controls must be implemented on university wide and organizational unit levels.

Preventive controls include hiring competent administrative personnel and providing adequate training to develop expertise in university fiscal and administrative policies and procedures, and applicable state and federal laws and regulations. Additionally, such controls include establishing departmental business processes with appropriate levels of authority, responsibility, and segregation of duties. This ensures transactions are properly reviewed and authorized and that no one person has the ability to control financial transaction(s) from start to finish. The ability to have total control over transactions increases the risk of fraud, errors, and irregularities to occur and not be detected.

One of the most important internal controls to detect fraud, errors, omissions, and irregularities is the independent after-the-fact review or reconciliation of financial transactions. Human review and judgement are required, as no single system can be designed to automatically detect all inappropriate, unallowable, or unreasonable transactions. In order to maintain the integrity of university's financial information, managers are responsible for conducting all business activities in their organizational unit in a manner consistent with good internal controls, including establishing appropriate segregation of duties. Adequate implementation of this responsibility requires that managers establish and ensure the proper execution of procedures to monitor and review revenues and expenditures recorded in the funds (accounts) assigned to their organizational unit on an ongoing basis.



2.0 Policy

Departments shall perform monthly review and certification of financial transactions, including revenues and expenditures recorded in the funds assigned to their organizational unit. The monthly review should cover the activity recorded in the funds during the prior month. The Controller's Office requires the use of the university-developed Financial Transaction Review, Analysis and Certification System (FINTRACS) to perform monthly transaction review and organization certification. Review in FINTRACS leverages a risk-based approach to identify specific transactions required for review based upon university-developed business rules. The specific transactions identified by the business rules are required to be reviewed and certified each month. FINTRACS allows for the review and certification of any transaction (flagged or not flagged), and departments may require more transactions be specifically reviewed and certified at their discretion. Completion of the organizational checklist and monthly certification of financial review is required within FINTRACS. Refer to [Controller's Office Procedure 10305a: Review of Financial Activities](#) for guidance on performance of the monthly review and certification. The monthly financial review of individual funds may happen outside of FINTRACS with Controller's Office approval of alternate reconciliation procedures. In those instances, certification that the review was performed must still be recorded in FINTRACS while documentation for the review is maintained by the department outside of FINTRACS in accordance with [Policy 2000, Management of University Records](#).

FINTRACS review and organization certification ensures material correctness of the following:

- expenditure items are complete, accurate, and include only authorized and approved transactions;
- expenditures are allowable, allocable, reasonable, and comply with applicable federal and state laws and regulations, university policies and procedures, and the specific requirements of grantors;

Managers should establish departmental procedures to ensure the following:

- unrecorded expenditures related to open encumbrances and unreimbursed travel are managed to ensure timely processing;
- revenues collected (if applicable) by the organization have been properly secured, deposited into the appropriate university bank account in accordance with [Policy 3600, Funds Handling and Deposit of State and Local Funds](#) and appropriately recorded in Banner and reconciled; and
- accounts receivable activity and any outstanding receivables at period end are complete, accurate, and recorded in Banner or authorized decentralized system(s) in accordance with [Policy 3605, Accounts Receivable](#).

If the review and certification process detects inappropriate transactions, managers are responsible for ensuring corrections are processed in Banner within sixty (60) days of the original posting date. Managers are also responsible for ensuring unrecorded transactions are processed within sixty (60) days from the time they are identified. Therefore, managers are strongly urged to complete their reviews soon after the close of each month. Under exceptional circumstances, if an error or omission detected during the review and certification process is not corrected within sixty (60) days, then departments must maintain supporting documentation to demonstrate that corrective actions have been initiated for timely correction of error.

In unusual and unforeseen circumstances, a corrective transfer beyond sixty (60) days may be appropriate for sponsored projects, as described in [Policy 3255, Cost Transfers on Sponsored Projects](#).



The manager can delegate all or a portion of this monthly review to other qualified personnel; however, the manager is ultimately responsible for the performance of the monthly reviews for all funds assigned to their department or organization. For specialized funds, such as sponsored projects, a review of expenditures must be completed in conjunction with the principal investigator.

The manager must ensure that reviews are conducted with appropriate segregation of duties. FINTRACS requires that at least two personnel complete the review and certification process – a preparer and a final reviewer. The final reviewer must be someone other than the person who initiated or processed the expenditures or revenue transactions. FINTRACS allows for an optional intermediate reviewer to be assigned at the organization level. If an intermediate reviewer is assigned, the review occurs after the preparer has submitted all funds in an organization, but prior to the final review. Monthly reviews and certifications must be completed by the preparer(s) and the reviewer(s) as prescribed in [Controller's Office Procedure 10305a: Review of Financial Activities](#).

Managers are accountable for setting the appropriate tone of intolerance for fraudulent acts by displaying the proper attitude toward complying with laws, rules, regulations, and policies. In addition, managers should be cognizant of the risks and exposures inherent in their area of responsibility, familiar with the types of improprieties that might occur within their area of responsibility, and be alert for any indication of irregularity. An essential component of the final reviewer's role is to identify errors, anomalies, potential compliance issues, and significant budget variances. Additionally, final reviewers should perform their work with a questioning mind and be alert to the possibility of detecting errors or inappropriate transactions. Management should be vigilant for repetitive errors, as these may indicate problems with departmental business processes or identify additional training needs for administrative staff.

If irregular or suspected fraudulent transactions are detected during the monthly review and certification process, appropriate actions should be taken in accordance with [Policy 1040, Reporting and Investigating Suspected Fraud, Waste, and Abuse](#).

Failure to comply with this Fiscal Responsibility policy may result in disciplinary action.

3.0 FINTRACS System Administration

The Controller's Office administers a risk-based rule set to select transactions required for review in FINTRACS based on materiality and the method of processing. In doing so, fewer transactions have to be reviewed to provide sufficient confidence that expenditures are complete, accurate, and authorized.

Final review and organization certification responsibility rests with the Department Head. While the responsibility cannot be delegated, the department head may request Senior Management assign an intermediate reviewer or delegate final review and certification duties to an authorized approver.

4.0 Procedures

This policy applies to all units and all managers within the university regardless of the source of funds used in support of that unit. Procedures to assist in compliance with this policy can be found in [Controller's Office Procedure 10305a: Review of Financial Activities](#).

Should the monthly review and certification detect items needing correction (due to clerical errors, unallowable charges to sponsored projects, etc.), journal entries or cost transfer entries should be prepared timely and shall



include adequate documentation, justification, and approvals for any transfers of costs (expenditures) or revenues. Cost transfers related to sponsored funds should be made in accordance with the requirements of [Policy 3255, Cost Transfers on Sponsored Projects](#).

The monthly review and certification are required to be performed in FINTRACS. Additional guidance on the performance of the review and certification is provided in [Controller's Office Procedure 10305a: Review of Financial Activities](#).

5.0 Definitions

AUTHORIZED APPROVER an individual who has been granted final approver authorization in the university's e-procurement system.

DETECTIVE CONTROLS are internal controls designed to search for and detect errors and irregularities which may have occurred.

FINAL REVIEWER is the Department Head or Business Manager who has the knowledge to review and certify the review performed by the preparer and verify the adequacy and reasonableness of the charges and credits posted to the fund.

INTERMEDIATE REVIEWER is someone other than the Final Reviewer who has the knowledge to verify the adequacy and reasonableness of the charges and credits posted to the fund.

MANAGERS include but are not limited to senior leaders, department heads, department chairs, directors, or similarly titled administrative managers of every university organizational unit.

PREPARER is the individual who performs the review and submits funds for final certification.

PREVENTIVE CONTROLS are internal controls designed to discourage or pre-empt errors or irregularities from occurring.

RECONCILIATION is an accounting process that specifically compares two sets of records to check that figures are correct and in agreement.

REVIEW OF FINANCIAL TRANSACTIONS is the systematic process to examine or reexamine financial activity recorded in the Banner systems to verify that charges and credits are accurate, complete, and appropriate. This process usually compares transactions to source documentation to verify accuracy and appropriateness of posted items. Discrepancies, including charges or credits posted incorrectly or pending transactions that did not post as expected, must be documented. Charges and credits on the fund must be supported by documentation filed or maintained electronically by the department or central administrative systems.

SEGREGATION OF DUTIES is an essential internal control that prevents or detects errors and irregularities by separating the responsibilities for initiating, processing, and recording of financial transactions and custody of related asset between two or more competent and qualified individuals. Effective segregation of duties provides reasonable assurance that transactions are processed according to university policies and procedures.



6.0 References

Controller's Office Procedure 10305a: Review of Financial Activities

https://www.controller.vt.edu/content/dam/controller_vt_edu/procedures/accountspayable/10305a%20FINAL%202.28.23.pdf

Policy 3600, Funds Handling and Deposit of State and Local Funds

<http://www.policies.vt.edu/3600.pdf>

Policy 3605, Accounts Receivable

<http://www.policies.vt.edu/3605.pdf>

Policy 3255, Cost Transfers on Sponsored Projects

<http://www.policies.vt.edu/3255.pdf>

Policy 2000, Management of University Records

<http://www.policies.vt.edu/2000.pdf>

Policy 1040, Reporting and Investigating Suspected Fraud, Waste, and Abuse

<http://www.policies.vt.edu/1040.pdf>

7.0 Approval and Revisions

Approved February 28, 1999, by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 1

Policy underwent a complete revision and expansion in all significant areas. Key changes include expansion of the importance of internal and preventive controls; enhanced guidance on the content of departmental reconciliation procedures; inserted applicable definitions and referenced companion university policies and procedures.

Approved January 26, 2018, by Vice President for Finance & Chief Financial Officer, M. Dwight Shelton, Jr.

- Revision 2

Updates to links due to departmental change.

Approved February 26, 2021 by Vice President for Policy and Governance, Kim O'Rourke.

- Revision 3

Policy underwent a complete revision and expansion in all significant areas. Key changes include the adoption and required use of university-developed Financial Transaction Review, Analysis and Certification System (FINTRACS) to perform monthly transaction review and organization certification and associated procedures.

Approved August 8, 2023 by Vice President for Finance & University Treasurer, Kenneth E. Miller.