



TEXAS TECH UNIVERSITY SYSTEM  
Office of Audit Services™



**DEPARTMENT FINANCIAL CONTROLS**  
BEST PRACTICES FOR  
TEXAS TECH UNIVERSITY

[www.texastech.edu/AUDIT](http://www.texastech.edu/AUDIT)

# 1

## THE LEDGER

### *Reconciling*

The frontline of financial control, reconciliation is an action that assesses the validity, correctness or appropriateness of an account balance at a specific point in time. It is documented by relevant calculations, clear and complete explanations, and copies of supporting documentation.

Although ongoing ledger activity may be reviewed in Cognos and the operating ledgers can be printed at any time, a formal reconciliation of the FOPs should be performed as soon as possible after the month closes. A reconciliation should be completed for all funds.

### *Reviewing*

The second important control in overseeing the department's financial records is the review and approval of the reconciled ledgers by the financial manager. Reviewing the ledgers helps ensure that all financial transactions are appropriate, accurate, and recorded properly and provides information about the status of budgets.

## 2

## SEPARATION OF DUTIES

A monthly reconciliation of the department's ledgers is an excellent control, but the oversight and control value of the reconciliation is greatly diminished when the reconciliation is performed by the same employee who, for example, has approval authority in TechBuy and/or who can approve ePAFs. Whenever staffing allows, the duties of cash receipting and approving payments or ePAFs should be separated from the duty of reconciling the ledgers.

The goal of separating duties is to separate certain business functions so that no employee is in a position to both perpetrate and conceal errors or fraud in the normal course of their duties. Separating duties helps protect you and your employees. The following functions should be segregated:

- Approval of transactions
- Custody of assets
- Reconciliation

*How to segregate the purchasing function in your department:*

### FINANCIAL MANAGER

#### **Department Chair, Principal Investigator**

- Approves purchase requisitions in TechBuy
- Reviews FOP reconciliations monthly

### SHOPPER

#### **Department Business Manager**

- Submits purchase requisitions in TechBuy
- Reconciles FOPs monthly

### 3

## PUTTING IT INTO PRACTICE

*Prevent unauthorized purchases by using TechBuy roles to your advantage.*

**FINANCIAL MANAGERS** – User has *unlimited* account approval authority.\* Responsible for registering and removing subsequent roles for use in TechBuy.

**APPROVER** – User has *unlimited* account approval authority.\*

**REQUESTOR** – User has account approval authority up to \$5,000 per transaction. Transactions greater than \$5,000 must be approved by higher authority.

**SHOPPER** – User has ability to shop within TechBuy, but has no approval authority. Any transaction submitted will go to a higher authority for approval.

The **RECONCILER** should:

- Compare departmental records with the current month’s transactions—commitments, charges (including payroll), and deposits—listed on the ledgers.
- Ensure that all transactions appearing on the ledgers that are not supported by the department’s records are accurate and authorized.
- Correct any errors or irregularities identified, noting corrections as such on the ledgers.
- Provide the reconciled ledgers to the financial manager for review.

The **REVIEWER/APPROVER** of the reconciliation should consider the following questions:

- Does it appear that the ledgers have been reconciled?
- According to the department’s budget, was an area overspent? If so, why?
- Do the transactions appear appropriate for departmental or university business?
- Are there any suspicious-looking transactions?
- Has the reconciler explained any unrecognized or undocumented transactions?
- What corrective measures should be taken to avoid the same problems in subsequent months’ ledgers?

### FINANCIAL MANAGERS

*Accountable to Texas Tech University and the fund provider, financial managers are responsible for ensuring funds are rightfully used.*

\*Up to the budgeted amount for an account.

# 4

## ADDITIONAL RESOURCES

- TTU Operating Policy 62.03
- Financial Management 101 Handout, AFISM Training Materials
- Regents' Rule 07.01
- Regents' Rule 07.03

*To report fraud, waste, or abuse,  
contact EthicsPoint:*

**[www.ethicspoint.com](http://www.ethicspoint.com)**  
**Toll Free 1.866.294.9352**  
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