

Verification of Cost Center Transactions

University of Houston Clearlake Procedures

Purpose: To comply with UH System policy [03.G.03 - Financial System Verification of Cost Center Transactions](#), UHCL departments should use the following procedures for monthly verification of transactions for each active cost center in the financial system against departmental records to ensure accuracy and propriety of the entries. Cost center verifications are an important internal control for ensuring that authorized transactions are posted to the correct cost centers.

1. Each month, College / Division Business Administrator (CDA) or designee (Verifier) runs the 1074 Verification Worksheet for **all active cost centers** in the department. (Cost centers may be verified at the Cost Center Manager level or the College/Division level, if desired.)
2. College / Division Business Administrator (CDA) or designee (Verifier) reviews transaction spreadsheets to verify that all transactions belong to that department. (It is not necessary to type an "X" in the Verified column of verified transactions.)
 - a. Review transactions that were generated at the department level, such as vouchers (expense only), SC vouchers, GL journals, budget journals, and requisitions. Verify that the document creator belongs to your department.
 - b. Review Procurement Card and Travel Card transactions, which have the last four digits of the card number in the transaction description. Verify that all cards belong to your department.
 - c. Review other vouchers created by Accounts Payable (in addition to Procurement Card and Travel Card), such as vouchers for copier rental or lease. Verify that the vouchers are for goods or services requested by the department through a requisition or online ordering process.
 - d. Review postage, telecom, IT, and Physical Plant charges that are billed by Postal Services, Information Technology, Telecommunications, and Physical Plant to ensure they are reasonable and appropriate on the cost centers charged.
 - e. It is not necessary to review system generated transactions, such as accounts payable liability, payroll liability, indirect cost expense (grants), revenue recognition (grants), letter of credit (grants), etc.
 - f. It is not necessary to review payroll-related expense transactions on the Verification Worksheet, which summarize transactions from the HR System. The detailed transactions (by employee) will be reviewed in a separate step below.

3. College / Division Business Administrator (CDA) or designee (Verifier) reviews the FY suspense report and determines if department has payroll suspense or a liability balance that needs to be cleared and, if so, creates correcting entries in PeopleSoft.
 - a. Run the Fiscal Year Suspense report in the HR System to see if the department has any payroll suspense.
 - See **Appendix A** for instructions to run the Fiscal Year Suspense Report.
 - b. Run the **UHS_AP_LIABILITY_BALANCE** query in the Finance System to see if there are any liability balances for your department's P-Card, Travel Card, Concur, or FG5 (Fund 5) Late Payment Interest transactions (accounts 20109 to 20115).
4. College / Division Business Administrator (CDA) or designee (Verifier) verifies that employees are paid from the correct cost center.
 - a. Run the Labor Distribution Report or BOB Report in the HR System. Verify that all employees in the report are paid from the correct cost center.
 - See Appendix B for instructions to run the Labor Distribution Report.
 - See Appendix C for instructions to run the BOB Report.
 - b. It is not necessary to verify that the amount of salary or wage received by each employee is correct, because this was done when the department ran the Trial and Final Payroll Verification Reports during the month when notified by the Payroll Department.
 - Confirm Payroll verification reports are run and discrepancies notified to Payroll department are corrected.
5. College / Division Business Administrator (CDA) or designee (Verifier) verifies that budget balances are not exceeded, and equity balances are not in deficit.
 - a. Review the Verification Worksheet to verify that budget balances are not exceeded and to identify deficit equity balances.
 - b. If negative budget balances or equity deficits exist, CDA should review revenue and expense budgets to determine whether the negative budget or deficit will be corrected by fiscal year end and reduce budgets or transfer fund equity as needed for anticipated shortfalls.
6. Each month, the Verifier will document that they have completed the cost center verification, and the reviewer has reviewed the verifications. A cost center manager or a person with delegated authority (who must be someone of higher authority than the person

who performed the verifications and must be at the College / Division Administrator level or higher) should review and approve the verifications. Approval must be completed no more than 60 days after the closure of the accounting period being verified.

- The UGLS1074 Verification Worksheet is an approved format for documenting cost center verifications and can serve as the verification report and approvals.
 - The Cost Center Verification log (Appendix D) is an alternate method for documenting verifications and approvals.
 - The verifier can send an email to the Cost Center Manager or designee with the same information contained in the Cost Center Verification Log (i.e., cost centers verified, accounting period, and a list of any needed corrections or adjustments, if any). The Cost Center Manager or designee can reply to the verifier's email acknowledging review of the cost center verifications, instead of completing the Cost Center Verification Log.
 - All delegations of authority (Appendix E) by the Cost Center Manager for someone else to review his/her cost center verifications must be in writing by memo or email
8. Retain the following documentation in electronic / paper format for all the months of the current and previous fiscal year:
- Monthly PS 1074 Verification Report and Verification Worksheets.
 - Signed Cost Center Verification Logs or e-mail confirmation of verification, review, and approval.
 - Cost Center Manager delegation memo/email to C/DBA or higher position delegating authority to review the Manager's cost centers. (If applicable).
9. Cost centers that will no longer be utilized should be inactivated within 60 days, so they are removed from the list of cost centers to be verified. The responsible department should inactivate cost centers by submitting a completed Cost Center Action form to the Budget Office or Office of Contracts and Grants as appropriate. However, cost centers cannot be inactivated until all of the following conditions are true:
- a) All individual asset and liability account balances are zero.
 - b) The net total of all fund equity accounts is zero.
 - c) The cost center has no soft or open commitments.
 - d) Original budget (base budget) is zero.

Summary

1. Verification that transactions on the UGLS1074 report are accurate and in accordance with department records. Transactions include the following:
 - a) Revenue
 - b) Expense
 - c) Fund Equity
 - d) Budget Transactions
 - e) Open Commitments Balances
 - f) Soft Commitment Balances
 - g) Asset and Liability Transactions
 - a. Note: This does not apply to system-generated offsets to revenue and expense.
2. Identification of transactions that appeared on a cost center in error and require a correction;
3. Preparation and transmittal of requests for corrections to the appropriate office
4. Completion, review, and approval of the verification report.
5. Retention of verification documents

Verify —> **Review** —> **Approve** —> **Retain**

Appendix A

Fiscal Year Suspense Report Instructions

Navigation for running report in HR: Main Menu > UHS HRMS Payroll > Reports > FY Suspense Report

1. Create a Run Control ID. (Suggestion: use the Department ID).
2. Enter "as of date"
3. Enter Business Unit
4. Choose a sort option (by Division, college or department)
5. Click Run button
6. Selected the process name
7. Click the Ok button on the next page
8. Click report manager or process monitor to access the report (PDF file)

Appendix B

Labor Distribution Report Instructions

Navigation in HR System: UHS HRMS Payroll / Reports / Labor Distrib Rpt - CC Dept

1. Create a Run Control ID. (Suggestion: Use the Dept ID where the payroll expense is charged.)
2. Enter the last date of the month that corresponds to the accounting period you are verifying.
3. Enter the business unit.
4. Enter the Dept ID where payroll is charged; not the Job DeptID.
5. Select the Sort Order for the report.
6. Click the Run button.
7. Click the OK button on the next page (not shown).
8. Click Report Manager or Process Monitor to access the report (PDF file).

Appendix C

BOB Report Instructions

Navigation for running report in HR: Main Menu > UHS HRMS Budget > Reports > BOB Report

1. Create a Run Control ID. (Suggestion: use the Department ID).
2. Enter "as of date"
3. Enter Business Unit
4. Choose a sort option (by department or fund code)
5. Enter information regarding Cost Center (i.e. fund code, department, program code, or project ID)
6. Click Run button
7. Click the Ok button on the next page
8. Click report manager or process monitor to access the report (PDF file)

***Note:** You have the option to include a page break after cost center.

Appendix D
Cost Center Verification Log

I verified transactions for the following cost centers.

Description of Cost Centers Verified (Complete One):

All active cost centers for Dept ID _____

All active cost centers for Cost Center Manager _____

Other: _____

Accounting Period Verified: Fiscal Year: _____ Month: _____

Name of Verifier: _____ Title: _____

Date Verification was Completed: _____ Initials of Verifier: _____

Are any corrections/adjustments needed to the cost centers verified? (Y/N) _____

For each correction or adjustment needed, note the following below: (1) cost center, (2) account, (3) amount, (4) date of original transaction, and (5) description of correction/adjustment needed.

I reviewed the above cost center verifications.

Name of Reviewer: _____ Title: _____

Date Review was Completed: _____ Initials of Reviewer: _____

Note: Reviews of cost center verifications must be completed no later than 60 days after the close of the accounting period being verified.

Reviewer Comments (Optional):

Appendix E

Delegation of Authority Memo

To: (Person Delegated Authority to Review Cost Center Verifications – Must be Department Business Manager or Higher Position)

From: (Cost Center Manager)

Date:

Re: Review of Cost Center Verifications

As Cost Center Manager, I delegate authority to you to review the monthly cost center verifications for my cost centers. You must perform this review no more than 60 days after each accounting period closes.

The purpose of the review is to validate the monthly verifications that were completed and to determine if any transactions appear to be out of place or need further investigation.

You may document your review of the cost center verifications either by initialing UGLS1074 Verification Worksheet or the Cost Center Verification Logs prepared by the person who performs the verifications or by sending an email to the verifier to acknowledge your review. The Log or email must include a description of the cost centers and accounting periods reviewed.

I understand that I am still ultimately responsible for the management of my cost centers and may review the cost center activity at any time upon my request.

This delegation will remain in effect until discontinued by me in writing.

Cc: (College/Division Administrator)