

**Internal Policies and Procedures
of the
Utah State Board of Education**

Policy # 01-04

Subject: Financial Close and Reporting

Date 07/01/2020

Policy Owner Director of Finance

Policy Officer Deputy Superintendent of Operations

Purpose:

To ensure that:

- The chart of accounts is setup in a way that provides the most effective categorization and tracking of financial data.
- Journal entries are properly prepared, reviewed and posted based on supporting documentation.
- All accounts and account activity is reconciled in a timely manner and any variances are researched and addressed/resolved.
- The Utah State Board of Education’s (USBE’s) financial close process is performed consistently, accurately, and timely.
- Financial reporting is reliable, provided to the Board of Directors (Board) timely and presented in an effective manner that allows for timely decision making and analysis.

Scope:

These policies apply to all USBE employees who are involved in any aspect of the financial reporting function including, but not limited to, maintaining the chart of accounts; preparing, reviewing and posting journal entries; performing and reviewing account reconciliations; performing month-end and year-end close procedures; and producing, reviewing and approving financial reports of USBE.

Throughout this document, words like “must” and “should” are used. When the term “must” is used, no group or individual has the authority to deviate from the specific policy or procedure. The term “should” is used to convey that individuals are expected to follow the policy and procedures as written and are required to justify any deviations. Deviations should only occur when the specifics of the situation justify a reasonable departure from the recommended policy and procedures.

References:

The following additional resources should be referenced in conjunction with this policy:

- [Utah Administrative Code, Title R25, Finance](#)
- [Utah Division of Finance Policies](#)

Definitions:

The definitions below define standard wording referred to throughout the USBE Policies and Procedures and apply to all instances where a word/phrase is used.

- **Appropriation**: Funding authorized by the State for specific programs, assigned an appropriation code by the Division of Finance to represent a program funded within an item of an Appropriations Act or a program funded through non-appropriated resources.
- **Board**: The USBE Board of Directors.
- **Budget**: An itemized summary of estimated or intended expenditures for a fiscal year along with estimated revenues.
- **Cash or Monies**: Checks, currency, electronic funds transfer or any type of electronic payment, and credit card payments.
- **CBO** – A Community Based Organization.
- **Department/Section**: A department or section at USBE.
- **Division of Finance**: The same as “State Finance” – a division under the State of Utah’s Department of Administrative Services.
- **Encumbrance**: An obligation in the form of a Purchase Order, contract, or salary commitment, which USBE charges to an appropriation and for which USBE reserves a portion of its appropriation.
- **Financial Operations**: The department at USBE responsible for accounting and financial functions.
- **FINET**: The accounting system utilized by the State of Utah.
- **Fiscal Year**: An accounting period of 12 months at the end of which the USBE ascertains its financial conditions. USBE’s fiscal year (FY) runs from July 1 through June 30.
- **LEA**: A Local Education Agency, a school district or charter school.
- **Utah Division of Finance**: A division under the State of Utah’s Department of Administrative Services.

POLICIES

I. **General Financial Reporting and Close Policies**

1. All employees who are involved in any aspect of the financial reporting and close process are responsible for reading and understanding the policies and procedures presented below, as well as the applicable State policies and resources.
2. The USBE follows the Utah Division of Finance (State Finance) Policies and Procedures. The detailed policies below are meant to supplement those policies; however, in all cases, they are at least as strict as State policies while providing more guidance for employees to aid in compliance.

3. Delegation of Authority: Delegation of approval authority, is permitted, unless specifically prohibited within this policy. The delegation must be done in writing, including the delegator, the person being delegated to, and the approval authority being assigned. The written request of delegation must be submitted to Financial Operations for pre-approval by the Superintendency, and if approved, for inclusion on the Delegation List. All delegations included on the Delegation List are reapproved annually.

II. Chart of Accounts Policies

1. State Finance is responsible for processing all changes (additions, deletions, or name changes) to object codes and revenue codes. The Financial Manager II coordinates all requested changes.
2. USBE is responsible for processing all requested changes to program, function, activity, and phase codes. Any changes must be requested through the Financial Manager who ensures they are reasonable and appropriate, and processes the changes in FINET.
3. Financial Operations reviews the chart of accounts detail at least annually, during the budgeting and year-end close process. All changes processed are tracked and reported via the USBE website.

III. Journal Entries Policies

1. All journal entries must be properly supported with adequate documentation showing the justification for the entry and that ties to the entry.
2. To ensure proper segregation of duties, all journal entries must be reviewed and approved by someone independent of the original preparer.
3. The Director of Finance will monitor manual journal entries on at least a quarterly basis.

IV. Monthly Reconciliation Policies

1. Tracking Reconciliations: Financial Operations is responsible for maintaining a current Monthly Reconciliation Account Log that includes all monthly reconciliations and reviews that must be performed. The log is reviewed regularly by Financial Operations to ensure it is complete and accurate to track monthly reconciliations and reviews that are required.
2. Reconciliations Required: The reconciliations that are required to be submitted to the State must be prepared, reviewed, and submitted to the State by 30 days after month-end. Financial Operations assigns the responsibility for preparing, reviewing, and submitting each reconciliation, ensuring that the State's deadline is met. Internal reconciliations and reviews must also be prepared, reviewed, and approved by 30 day after month-end.

3. All monthly reconciliations and reviews must be documented and properly supported. All reconciliation packets are scanned and stored electronically on the Financial Operations Shared Drive.

V. Month-end Close Policies

1. Fiscal Year Closing Period: USBE's year-end closing period goes from July 1st through August 1st, unless differently indicated by State Finance. The cut-off date is established by State Finance.
2. Year-end Close Calendar: The Director of Finance is responsible for developing the Year-end Closing Checklist to assign responsibility and due dates for the preparation and review of all year-end closing tasks. The overall goal is to ensure all tasks are completed on a timeline that allows for all State Finance deadlines to be met.
3. Closing Packet: All year-end journal entries must be posted to FINET prior to the completion of the year-end Closing Packet. The Director of Finance is responsible for electronically signing and submitting the USBE Closing Packet to State Finance.

VI. Financial Reporting Policies

1. Financial Operations is responsible for ensuring that accurate and timely financial reporting is achieved.
2. Monthly Financial Reporting: Financial Operations is responsible for preparing internal reports monthly for discussion with the various Sections, Monthly Board Reports that are submitted to the State Board, and Carryover Spend Reports for presentation to the USBE Finance Committee and Board. The Director of Finance is ultimately responsible for ensuring that all reports are accurate and supported.
3. Yearly Financial Reporting: Closing Statements must be completed and submitted to State Finance. Once approved by State Finance, the Closing Statements are presented to the Finance Committee and Board for information purposes.

PROCEDURES

I. General Procedures

1. All financial transactions, including closing entries, must be recorded in FINET. All financial reports are generated out of FINET or prepared based on FINET data.
2. Resources: State Finance issues a variety of resource documents each year to support the financial reporting and close process for Agencies. All personnel involved in the financial reporting and close functions should be aware of the resources available and should utilize them as tools in completing their assigned tasks.
3. All financial activity, including the preparation of journal entries, the reconciliation of accounts, and the generation of financial reports must be properly supported. Financial Operations is responsible for ensuring controls are in place to justify all financial activity recorded and to ensure its accuracy. Ultimately, the responsibility for overseeing financial activity of the USBE is assigned to the Director of Finance; however, specific tasks or responsibilities can be delegated to other individuals within Financial Operations, as long as appropriate review and approval procedures are in place.

II. Chart of Accounts Procedures

1. Chart of Accounts: The chart of accounts is maintained, and individual code components are established, by the Utah Division of Finance. All State agencies are required to utilize the State's chart of accounts structure for recording all financial activity and balances in order to allow for the accurate reporting within the State's Comprehensive Annual Financial Report (CAFR). The chart of accounts is setup in FINET.
2. Coding Block Components: The chart of account coding block allows for all transactions to be specifically traced. The components of the coding block are presented below:

| Coding Block Component | Description |
|---------------------------------------|---|
| <i>Fund Code</i> | A four (4) digit code that identifies the fund. Funds are setup as governmental funds, proprietary funds, or fiduciary funds. |
| <i>Department Code</i> | A three (3) digit code that identifies USBE as the agency. USBE has been assigned 400 as their Department Code. |
| <i>Appropriation Unit Code</i> | A three (3) or four (4) digit code (letters and/or numbers) that identifies the appropriation unit in which the transaction is related to. The appropriation unit code represents a program funded within an item of an Appropriation Act or a program funded through non-appropriated resources. |

| | |
|----------------------|---|
| Object Code | A four (4) digit code used to describe the service or commodity obtained as a result of a specific expenditure. |
| Revenue Codes | A four (4) digit code used to describe the source of funding received/receivable. |
| Program Code | A seven (7) digit code used to describe the Program, with the first two digits representing the Program funding year. A Program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. |
| Function Code | A code (up to eight (8) digits) that is often used when a Section wants to track the cost associated with a specific project or function (i.e. conference, training, etc.) separately. A code used to identify the cost center for recording additional cost accounting information. |
| Activity Code | A three (3) to four (4) digit code used to identify the cost center for recording additional cost accounting information. USBE only uses activity codes in rare cases when costs related to a certain event or occurrence needs to be tracked. An example of the use of an Activity Code is for tracking costs directly related to the COVID-19 response. |
| Phase Code | A three (3) digit code (letters and/or numbers) used to track payment activity for Local Education Agencies (LEA's) or Community Based Organization (CBO's). |

3. Request for Code Changes:

- a. *Object and Revenue Code Changes:* USBE is not authorized to process changes to object codes or revenue codes. Additions, deletions or changes to object codes and revenue codes must be processed by State Finance. Any requested changes are reported to the Financial Manager II who is responsible for coordinating the requested change with State Finance.

- b. *Other Coding Block Changes*: USBE has access to change the coding components listed below. All requested changes are reported to the Financial Manager II who will process the changes, if appropriate, in FINET. The Financial Manager II will maintain documentation of all requested changes, including the reasoning for the change, by year.
 - i. Program Codes
 - ii. Function Codes
 - iii. Activity Codes (not commonly used)
- 4. Chart of Accounts Change Notifications: Each year, Financial Operations will maintain a listing of all chart of accounts changes that have been processed that effect USBE. This includes reporting account additions, deletions, or name changes. This information is updated on a regular basis and reported, by fiscal year, on the USBE website.
- 5. Chart of Accounts Maintenance: State Finance reviews all object codes and revenue codes to determine if there are unused codes that should be deleted. The USBE is typically not involved in this process. USBE reviews all other code components yearly, to determine if there are any additions, deletions or changes needed, during the annual budget process and the year-end close process. All changes needed are reported to the Financial Manager II for coordinating the requested change.

III. Journal Entries Procedures

- 1. Types of Journal Entries: Non-system generated journal entries (i.e. manual journal entries prepared by USBE) are classified as either:
 - a. *Journal Voucher Year End (JVYE)*: These entries are recorded at year-end to adjust year-end balances. Examples include recording prepaid balances, unearned revenue, etc. JVYE's are entered and approved by USBE, but must be posted in FINET by State Finance, as USBE does not have access to post them.
 - b. *Internal Department Transactions (IDT)*: These entries are recorded throughout the year to correct account balances or process account activity that is not system-generated through other FINET activity. Internal Accounting within Financial Operations is responsible for, and has access to, the posting of these entries.
- 2. Processing Journal Entries: All journal entries must be prepared, reviewed, and approved prior to posting. Dependent on the type of entry, the responsibilities are:
 - a. *JVYE Entry*: Information for JVYE's is accumulated during the year-end closing process and recorded on the Year-End Journal Voucher Listing Spreadsheet. After all entries are accumulated, the listing is submitted to the Financial Manager II for the JVYE's to be uploaded into FINET. The Financial Manager II reviews the supporting documentation, uploads the entry, and scans and attaches all support to the entry in FINET. A separate individual (typically another Financial Manager II or the Director of Finance) reviews the entry, compares it for accuracy to the supporting

documentation, and approves it in FINET, which submits it to State Finance for posting. A copy of the entry posted, and the supporting documentation, is also retained in a manual file within Financial Operations for easy reference and record retention purposes.

- b. *IDT Entry*: Internal Accounting within Financial Operations is responsible for preparing IDT entries in FINET. All support for the entry is scanned and attached to the entry in FINET. Once submitted, a Budget Manager or Financial Manager II reviews the entry and the support, approves it and posts the entry in FINET.
3. Journal Entry Monitoring: On at least a quarterly basis, the Director of Finance will run a report from FINET of all manual journal entries posted in the prior quarter. The Director of Finance will review all entries to ensure they appear reasonable and expected, and if any are not recognized or appear unusual, tie the entry to the underlying supporting documentation in FINET. The report will be signed and dated and maintained within Financial Operations to support that journal entries are being actively monitored.

IV. Monthly Reconciliation Procedures

1. Tracking Reconciliations: Financial Operations is responsible for monitoring all account reconciliations that need to be performed on a monthly basis. All required reconciliations are tracked via the Monthly Reconciliation Account Log, which must present the following for each account that must be reconciled:
 - a. Account type/area (i.e. cash, accruals, etc.)
 - b. Account number
 - c. Account name
 - d. Task description
 - e. Assigned to name
 - f. Due date
 - g. Completion date
 - h. Reviewed/approved by name
 - i. Reviewed/approved date
 - j. Supporting documentation scanned: Yes/No
2. Timelines for Monthly Reconciliations: Each account on the Monthly Reconciliation Account Log must be reconciled in a timely manner to ensure that all corrections are made timely and to ensure USBE meets the 30-day requirement set by the State. Specific due dates for all monthly reconciliations are identified on the Monthly Reconciliation Account Log.

3. Reconciliations Required: The following accounts reconciliations/reviews are required, as identified in the Monthly Reconciliation Account Log:
- a. *Cash/Bank Accounts Reconciliations*– The monthly cash reconciliations are required to be submitted to State Finance by 30-days after the end of the month. The reports to reconcile the accounts are typically provided by the 5th business day after month-end and the responsibility for, and associated deadlines, for preparation, review and approval are established in the Monthly Reconciliation Account Log.
 - b. *Fixed Assets and Information Technology (IT) Assets Reconciliations* - The monthly fixed asset reconciliation is required to be submitted to State Finance by 30-days after the end of the month. The reports to reconcile the accounts are typically provided by the 5th business day after month-end and the responsibility for, and associated deadlines, for preparation, review and approval are established in the Monthly Reconciliation Account Log. Refer to the USBE Fixed Assets Policies and Procedures for detailed information.
 - c. *Budget Reconciliation*: This is an internal monthly reconciliation that is not submitted to State Finance. Budget reconciliations are performed by the Budget Managers to ensure their assigned Sections are on target with their Budget to Actual Reports and that all variances appear reasonable.
 - d. *Chart of Accounts Validation (“Mismatch Reporting”)* – This is an internal monthly review process that is not submitted to State Finance. This validation involves the following:
 - i. The Joint Review Team generates reports showing all FINET activity, by transaction, for the prior month (i.e. the Mismatch Reports). by Section, identifying potential errors in coding blocks assigned, and submitting changes to the appropriate Section Accountant.
 - ii. The Budget Managers perform a detailed review of the Mismatch Reports for each of their Sections. This review includes verifying that the coding block used for each transaction is appropriate, that all activity relates to the Section it was recorded to, and that all activity appears reasonable for the Section. Any potential errors are researched, and changes required are reported to the assigned Section Accountant to make the updates/corrections in FINET.
 - iii. The Section Accountants make all requested updates to correct any identified coding errors.
 - iv. The Joint Review Team then re-runs the Mismatch Reports to verify that all corrections were processed correctly and are properly supported.

4. Reconciliation Record Retention: The Monthly Reconciliation Account Log must be completed and maintained, by month, and the related reconciliations, and the related supporting documentation, are scanned and maintained electronically on the Financial Operations Shared Drive.

V. Month End Closing Procedures

1. State Finance Reporting: Three business days following each month-end, State Finance will provide reports to USBE to begin the month-end close process. Three business days-post month- end represents the fiscal month close date.
2. Monthly Close Process: Financial Operations will maintain a Monthly Close Calendar that tracks all closing procedures and the related due dates for each. The following close procedures must be completed:
 - a. *Cash Receipts Review*: All cash receipts received on or before the last day of the month must be appropriately recorded.
 - b. *Invoice Review*: All invoices incurred on or before the last day of the month must be appropriately recorded. This review must include consideration of the following:
 - i. Goods or services that have been received on or before the last day of the month but have not yet been processed for payment.
 - c. *Revenue and Expenditure Review*: All revenue that has been earned as of the last day of the month, and all expenditures in which the goods or services have been incurred on or before the last day of the month, must be appropriately recorded. This review must include consideration of the following:
 - i. Revenues that have been earned; however, USBE has not collected the related funds for.
 - ii. Transactions recorded as expenditures prior to month-end; however, USBE has not received the goods or services prior to month-end.
 - d. *Recurring Entry Review*: All recurring entries must be verified to ensure they were recorded.
3. Monthly Close Calendar: The Monthly Close Calendar will be updated regularly, to incorporate any new tasks or changes in deadlines, by the Director of Finance. The Monthly Close Calendar will include:
 - a. Month end close date (3 business days following the last day of the month)
 - b. Each close task:
 - i. Description of task
 - ii. Assigned preparer
 - iii. Preparer due date

- iv. Assigned reviewer/approver
 - v. Reviewer/approver due date
- c. Close completion date
4. Process Month-end Journal Entries: All month-end journal entries must be posted, prior to the month-end close date to ensure the activity is recorded in the correct month. Refer to the Journal Entry Procedures above.

VI. Yearly Close Procedures

1. State Finance Resources: State Finance provides a variety of resources to agencies to guide the year-end close process. These resources can be found on the Utah Division of Finance website. USBE utilizes these resources to ensure that internal procedures are in place to ensure all requirements and deadlines issued by State Finance are met. The procedures detailed below are internal procedures set by USBE.
2. Fiscal Year Closing Period: USBE's closing period, the period in which all fiscal year-end close procedures must occur, goes from July 1st through August 1st, unless differently indicated in the latest General Information and/ or Reference Guide documents released by State Finance. The cut-off date is established by State Finance.
3. Year-end Close Calendar: State Finance releases a Closing Calendar for Agencies prior to fiscal year-end to identify all of the year-end tasks that must be completed and the applicable due dates for each task. After this is released, the Director of Finance holds an internal meeting with the Financial Manager II's to prepare a detailed Year-end Closing Checklist, which assigns all tasks to personnel within Financial Operations. The Year-end Close Checklist will list:
 - a. Description of task
 - b. Task area (i.e. purchasing, budgeting, etc.)
 - c. Assigned preparer
 - d. Preparer due date
 - e. Assigned reviewer/approver
 - f. Reviewer/approver due date
4. Process Year-end Journal Entries: All year-end journal entries must be posted, prior to the submission of the Closing Packet. Refer to the Journal Entry Procedures above.
5. Late Submission Requests: If an assigned year-end task is not going to be completed by the internal deadline established, the following must occur:
 - a. The preparer and reviewer assigned to the task must inform the Director of Finance of the situation immediately

- b. An explanation of the justification for the expected missed deadline must be documented on the Year-end Close Checklist, and the Director of Finance must document approval.
 - c. A new deadline will be established and added to the Year-end Close Checklist. If the new deadline is expected to be subsequent to the State Finance issued close deadline, the Director of Finance will notify State Finance so that they can expect the latesubmission.
6. Closing Packet: The Closing Packet is required to be submitted to State Finance by the fiscal year-end close date. State Finance issues yearly Detailed Closing Instructions which will be used by Financial Operations.
- a. All final close deliverables, and all supporting schedules and documents, must be submitted to the Director of Finance for final review, approval, and submission.
 - b. The Director of Finance is ultimately responsible for ensuring all required items in the Closing Packet are properly prepared, reviewed and submitted on or before the fiscal year- end close date, unless an exception for a late submission has been approved by State Finance (in writing).
 - c. Disposition of Line Item by Funding Source Form (“Closing Schedule”) is the final deliverable to State Finance.
 - i. The Closing Schedule is used to report all unexpended appropriation balances and to identify the disposition of those balances. In addition, supporting documentation should be provided for any non-lapsing funds that are based on unfulfilled purchase orders.
 - ii. Transactions for accrued expenditures, accounts receivable, deferred revenue, and prepaid expenditures are to be entered prior to closeout and are not to be submitted with the Closing Schedule. These transactions will be reflected in the amounts that appear on the Line Item Status Report, which is available for reference, as of the cut-off date of the report. The amounts appearing in the report will need to be adjusted for any additional transactions which are processed after the run date of the report.
 - d. The completed Closing Schedule is submitted electronically via a Google Sheet and any supporting documentation is submitted to State Finance via email. All final closing amounts included in the Closing Schedule must represent those recorded in FINET.

VII. Financial Reporting Procedures

1. Financial Operations is responsible for ensuring that accurate and timely financial reporting is achieved.

2. Monthly Financial Reporting:

- a. Internal Reports – Budget to Actual Reports are generated, by Section, each month. Budget Managers and Section Accountants hold monthly meetings to go through the reports. Refer to the USBE Budget Policies and Procedures.
- b. Monthly Board Report – A Monthly Board Report is prepared by Financial Operations for presentation of budget to actual information and any open encumbrances to the State Board. The Monthly Board Report is prepared by Financial Operations and reviewed/approved by the Director of Finance, prior to submission for the monthly State Board meeting. The Monthly Board Report submitted to State Finance is also presented to the USBE Finance Committee and Board on a monthly basis.
- c. Carryover Spend Reporting - If any Section has a carryover of \$100,000 or more at fiscal year-end, the Section and Budget Manager must create a Carryover Spend Report to show how the carryover will be spent. All initial Carryover Spend Reports, by Section, must be presented and approved by the Finance Committee and then the Board. Once approved, the reports will be updated on a monthly basis and all active (i.e. those with activity or balances) Carryover Spend Reports will be presented to the Finance Committee and the Board at the monthly meetings to monitor how any carryover funds are being spent in the current fiscal year.

3. Year-end Financial Reporting:

- a. Closing Statements – State Finance issues Closing Statements that have to be completed by USBE during the year-end close process. The Closing Statements present the funds appropriated or collected, expenditures, and carry-forward amounts. These are prepared and submitted to State Finance. Once State Finance approves USBE's Closing Packet, the Closing Statements for the year are presented to the Finance Committee and Board for information purposes.