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**To:** Members of the President's Leadership Team  
**From:** Kim Kvaal  
**Date:** June 10, 2009  
**Re:** Annual Financial Statement Certification  
Leadership Team Meeting April 8, 2009

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As an executive officer of the University, you have a role and responsibility impacting the financial activities of the institution. The authority vested in your position allows you to make decisions on behalf of the University that are legally binding and may require an entry into the University's accounting system potentially impacting "the budget" and "the financial statements".

The budget serves as the revenue and expenditure plan for most of the University's activities and is the basis against which we internally gauge our financial performance. The budget results help us answer questions like "How did we do?" and "Did we achieve our goals?". At the division and department level, it's monitored by various department heads and business managers. Additionally, it's at this micro level that many of the decisions impacting the budget are made. The budget is monitored at a University level jointly by the Office of Budget & Planning and the Office of Business & Finance as well as the Finance Committee of the Board.

The responsibility for the management of the budget is shared throughout the University through the delegation of budget authority. Ultimately however, the President and his leadership team are held accountable by the Board for achieving the budgetary goals each fiscal year.

The financial statements encompass not only the activity within the budgeted (operating) funds but also include activities in the non-operating, or restricted funds. The financial statements are the reports intended for external audiences such as banks, lenders, regulatory agencies, donors, governmental entities, and others. The financial statements help external parties answer questions such as "How is USF doing?", "What is USF worth?", and "How well did USF manage its resources?". The financial statements are prepared adhering to applicable accounting and auditing standards in the format prescribed for higher education and are annually audited by our external auditors.

Like the budget, the financial statements are monitored at the staff and board level. The Board Finance Committee monitors the financial performance of the three statements along with our compliance with debt covenant ratios. The Board Audit Committee monitors the adherence to the internal control structure, applicable accounting and auditing standards, and regulatory compliance.

Again like the budget, the financial statements are the responsibility of the University's management. This is the underlying premise upon which the external audit is executed. In this context, management extends beyond the President, CFO, and B&F senior staff. For the financial reporting process, management represents members of the Leadership Team and other senior level staff of the University who exercise financial judgment and decision-making over large operations (for example: the Director of Financial Aid and the Athletic Director). The Office of Business &

Finance is responsible for the preparation and execution of the annual financial statement audit. The compilation of the statements and disclosures relies upon information from all areas across the institution as part of the delegated budget and financial activities.

As an executive officer of USF, you have a fiduciary responsibility to communicate information to B&F that may impact the financial statements, ensure compliance with the financial policies and procedures to assist in the prevention and detection of fraud, and to provide oversight of the financial activities within your area/division.

Responsibility for the financial activities within each area/division is structured uniquely to the needs of that area. Business managers can be responsible exclusively for the financial activities or may include other responsibilities that are not budget/financial related. Further, the financial responsibilities may span across several positions depending on the size and the structure of the organization. Regardless of the allocation of duties, it is essential that the financial activities be conducted in a timely, complete, and accurate manner. Examples of financial activities include but are not limited to the periodic review of the labor distribution reports and budget reports, review and approval of expenditure requests, timely deposit of receipts, and the review and approval of timesheets.

While most of the attention throughout the fiscal year is given to the budget, we must ensure that all the activities of the University are properly stated in the financial statements at the end of the year. This is accomplished through the annual closing process by capturing activities that may not immediately impact cash and of which the Office of Business & Finance has no knowledge until notified by the departments. Examples include goods and services that are received by 05/31 but not yet paid for or for services provided by USF to others with payment not yet received.

As a member of the executive management team, you are asked to participate in the certification process to provide assurance and documentation to the external auditors and the Audit Committee that proper controls are in place throughout the shared decision-making process. It also served to document that you are fulfilling your due diligence as an executive officer of the University over its financial activities.

In order to clarify and define terms, we have provided answers to the most frequently asked question in a separate document that should be referred to while completing the Annual Financial Certification. Because this is a new process and due to its technical nature, I will be available to meet with each Vice President and Dean to walk through the document and fully explain each statement prior to signing.

Thank you for your cooperation and participation in this very important process.