

FINANCIAL ACCOUNTING AND REPORTING

I. Purpose

The purpose of this policy is to: (a) identify financial accounting and reporting requirements as prescribed by Arkansas law; (b) provide a general description of required accounting standards; (c) provide guidance for timely and accurate closing of financial periods; (d) define the type and frequency of mandatory financial reports; and (e) prescribe the responsibilities for administration of the financial accounting and reporting function within the University of Arkansas System (System). This policy establishes financial accounting and reporting standards and responsibilities for the System.

II. General

- A. The System has determined that the financial accounting and reporting requirements shall be maintained in accordance with Generally Accepted Accounting Principles (GAAP) for state and local governments, which is defined as accounting principles issued by the Governmental Accounting Standards Board (GASB) and shall incorporate, as much as possible, the provisions of the *Financial Accounting and Reporting Manual for Higher Education* published by the National Association of College and University Business Officers. With the exception of modifications necessitated by the Appropriations Act and/or other state statutes or federal laws, the financial accounts of the System and its campuses and the Division of Agriculture, Criminal Justice Institute, Archeological Survey, System Administration, and Clinton School of Public Service (units) must be maintained and presented in formal financial reports in accordance with GAAP.
- B. Responsibility for the supervision and coordination of financial accounting and reporting within the System is assigned to the Vice President for Finance for the System who will:
1. Direct the preparation and publication of the University of Arkansas System Audited Annual Financial Statements;
  2. Issue such directives as are deemed necessary to ensure that the financial accounting and reporting provisions are maintained in accordance with GAAP, the Appropriations Act, and other applicable state and federal laws and regulations, and that directives from the Board of Trustees are complied with in a consistent and effective manner throughout the system;
  3. Prescribe the minimum content of quarterly financial reports;

4. Direct the preparation and distribution of other reports as required;
  5. Approve any external contracts related to modifying the financial reporting process within the University of Arkansas System.
- C. The chief financial officer (CFO) of each campus, division, or unit is directly responsible for the effective performance of the financial accounting and reporting duties assigned to them. The CFO is responsible for assuring campus compliance with accounting standards and reporting requirements, including establishing and documenting a system of internal controls for the campus or unit. To ensure that financial practices and reporting at the department and college levels are aligned with campus-wide standards and requirements, the distributed departmental finance staff at each campus, division, or unit shall, at minimum, have a dotted line reporting relationship to the campus, division, or unit CFO. Any unusual or questioned accounting issues should be referred to the Vice President for Finance for determination and final approval of the appropriate treatment.
- D. The CFO of each campus, division, or unit shall have a dotted line reporting relationship to the Vice President for Finance for the UA System to ensure alignment and consistency in financial practices and reporting across the system. Any unusual or questioned accounting issues should be referred to the Vice President for Finance for determination and final approval of the appropriate treatment.

### III. Financial Accounting

- A. The financial accounting model of the System and its campuses and units is based on the principles and practices of fund accounting only in regard to internal reporting purposes and reporting to the State Higher Education Coordinating Board. Fund accounting is a methodology by which resources are classified in accounting records and internal reports according to purposes and limitations as to use imposed by sources outside the System, or as directed by the Board of Trustees.
- B. Campus or unit CFOs are responsible for maintaining the official financial records of the campus or unit and is the central office of accounting control for all fiscal transactions of that campus or unit.
  1. It is the responsibility of the campus or unit CFO to instruct and assist other accounting personnel on their campus concerning the records of financial transactions maintained by departments and similar administrative units.

2. It is the responsibility of each accounting administrator to keep such records as are necessary to furnish accurate information on revenues, transfers, other credits, expenditures, other charges, and encumbrances. Records maintained by the accounting administrator should be those necessary to supplement business office records in accordance with System, state and federal retention requirements.
- B. Monthly departmental accounting is intended to provide up-to-date financial information for departmental officials and to ensure that expenditures and/or encumbrances do not exceed budget allocations.

#### IV. Financial Period Close

A. The UA System shall establish and maintain a structured process for the timely and accurate closing of financial periods. This process shall ensure all financial transactions are recorded, reconciled, and reported in accordance with Generally Accepted Accounting Principles (GAAP) and other applicable state and federal laws and regulations.

1. This process shall require each campus, division, or unit to conduct a financial close process on a monthly, quarterly, and annual basis.
2. Each campus, division, or unit shall complete the monthly close within 10 business days, the quarterly close within 15 business days, and the annual year-end close within the 60 days following the end of each respective period. However, should circumstances warrant, this policy does not preclude the campus, division, or unit from re-opening a period to make necessary adjustments to ensure accuracy and compliance.
  - i. In extenuating circumstances, campuses, divisions, or units may request approval to exceed the established close timeline. Such requests must be formally submitted for review and approval by the Vice President for Finance for the System prior to implementation.
3. Each campus, division, or unit shall establish and document a comprehensive period close checklist to serve as a standardized guide to ensure all necessary tasks are completed accurately and timely during the financial period close process. The period close checklist shall be reviewed and updated regularly to reflect any changes in accounting standards, reporting requirements, or internal processes. The CFO of each campus, division, or unit is responsible for ensuring the checklist is followed and all tasks are completed in accordance with the established deadlines.

B. The CFO of each campus, division, or unit is responsible for ensuring the timely and accurate completion of the financial period close process. The status of the period close shall be reported on a quarterly basis to the Vice President for Finance.

#### IV. Annual Financial Report

- A. The System will publish annually a complete financial report in accordance with GAAP as defined by GASB. The audited financial statements will be included in the Comprehensive Annual Financial Report (CAFR) for the State of Arkansas.
- B. It is the responsibility of the Vice President for Finance for the System to determine the content and format of presentation, establish the timetable, review and approve the reports submitted by the campus or unit CFOs, prepare the system combined statements, and publish and distribute the consolidated report. While the report is a joint effort of the System Finance and the business offices of the campuses and other institutions or units, the Vice President for Finance has the authority to direct and/or make any material changes deemed necessary to campus or unit financial information in order to ensure the University of Arkansas System's financial reporting is timely, accurate, consistent and in compliance with GAAP. When a material change is deemed necessary in any campus or unit financial reporting information, the Vice President for Finance will inform the President in writing of the reasons for making the change and seek his/her concurrence and approval for the change. The Vice President for Finance will also inform the campus Chancellor or the unit head and the respective CFO of the material change.

#### VI. Other Financial Reports

Internal financial reports considered essential for effective administration by the various campuses and units and those external reports required by outside agencies will be prepared under the direction of the campus or unit CFO. Such reports issued at the System level will be prepared under the direction of the Vice President for Finance.

#### VII. Auditing

Financial accounts and reports are subject to audit by the Arkansas Division of Legislative Audit and external audit firms hired by the Board of Trustees Audit Committee, the Internal Audit Department and other federal audit agencies.

May XX, 2025

January 24, 2014