University of Missouri – Kansas City

Financial Sub-Certification
What is Financial Certification?

Process where individuals within the organization provides assurance to verify that the financial statements are reliable and that internal controls are working as intended.
What are the financial statements and who is responsible?

- What are the financial statement?

- Who is responsible for preparing the financial statements?

- What function does the outside auditor perform?
What are Internal Controls?

Defined as a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
Connection between Certification and Internal Controls

Individuals in the organization would not be able to certify financial statements unless they believe that the internal controls over financial reporting were working effectively.
Why Financial Sub-Certification?

- Internally, certification raises awareness of responsibility and who is accountable.

- It also helps identify control gaps in training needs.

- Improved training will lead to a more reliable process and greater accountability.
Why Sub-Certification (continued)

• From an external point of view, financial statement users can take greater comfort in the reliability of financial reports and the effectiveness of internal controls if they are certified.

• If people are willing to personally certify a financial report, then they must be confident in its reliability.
Where did this idea come from?

• SOX

• Sarbanes-Oxley Act of 2002
History of SOX

Paul Sarbanes – Senior Senator (Democrat) from Maryland. Elected in 1976 (five terms) Chair of Senate Banking, Housing and Urban Affairs Committee

Michael G. Oxley – Representative (Republican) from 4th district in Findlay, Ohio. Elected in 1981. Chairman of the Financial Services Committee
Certifications & Higher Education

• Some higher education institutions already require certification of financial results.

• Several States are enacting legislation to require specific accountability and review of internal controls.
Financial Certification at UMKC for FY 2006

- Chancellor
- Vice Chancellor for Administration & Finance
- Assistant VC of Finance
- Accounting Director
Financial Sub-Certification at UMKC for FY 2006

In order for senior officers on our campus to certify as to the accuracy and completeness of the financial information generated on our campus, we are asking that each unit head (deans and Vice Chancellors) and their respective fiscal officers also certify as to the accuracy and completeness of the financial information generated from their units.
In connection with the audit of the University of Missouri’s financial statements as of June 30, 2006 and for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the University of Missouri, we confirm, to the best of our knowledge and belief, the following representation related to our department:
1. Within the areas for which I am responsible, all transactions, agreements and amounts have been properly reflected in the University’s accounting records.
2. I acknowledge my role in the University’s responsibility for implementation of university financial policies, the establishment and maintenance of an internal control structure and procedures that assist in preventing and detection of fraud.
UMKC Sub-Certification Questionnaire (Continued)

3. Within the areas for which I am responsible, there has been no undisclosed:

   a. Instances of fraudulent financial reporting or misappropriation of assets involving management or employees who have significant role in internal control.

   b. Instances of fraudulent financial reporting or misappropriations of assets involving other employees that could adversely affect the University’s financial statements.
4. Within the areas for which I am responsible, all plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances of which I am aware have been communicated to the campus Accounting Office.
5. Expenses have been appropriately classified in or allocated to functions (PCS) in the statements of revenues, expenses and changes in net assets, and allocation have been made on a reasonable basis.
6. Accruals for goods received and services performed for which payment had not been made by year-end have been recorded in the accounting records as of year-end.
7. There are no journal entries made in one fiscal year that have been inappropriately reversed in the subsequent fiscal year which affect the accurate reporting of revenues, expenses, assets or liabilities during the period under audit.
8. Within the areas for which I am responsible, all general ledger revenue and expense accounts fairly represent the results of operations and fluctuation analyses have been performed. Material variances have been properly disclosed to the campus Accounting Office for evaluation and resolution.
9. Within the areas for which I am responsible, all violations of contractual agreements and laws and regulations of which I am aware have been communicated to those responsible for investigating and managing such matters.
Please return the signed sub-certification document to Larry Gates, Vice Chancellor for Administration and Finance (AC333) by no later than August 15, 2006.
Questions