



State of Arizona Accounting Manual

Topic 05 Internal Controls

Issued 04/09/18

Section 25 Monthly Financial Review and Verification

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INTRODUCTION

Financial verification and review is an important internal control—so important that it is covered here as well as in other SAAM sections dealing with specific operations, accounts, balances, structures and the like.

In order to provide not only guidance involving monthly financial review and verification but also the tools to assist agencies in performing this important task, the GAO has published a series of Quick Reference Guides (QRGs), which are to be found online at: <https://gao.az.gov/trainingevents/training-resources>.

The QRGs currently available are titled:

- *Monthly Financial Review: Fixed Asset Management*
- *Monthly Financial Review: General Ledger and Budget*

Each of these QRGs sets out the procedures to be performed and the reports to use to conduct the periodic verification and review of the financial activities identified by its title.

POLICY & PROCEDURES

1. Using the reports and procedures described in the applicable QRG, each agency head must ensure that, as applicable, a monthly and/or quarterly financial review and verification is performed for his agency.
2. Documentation should evidence the completion of each financial review and verification and must contain sufficient detail to allow another person to re-perform the documented procedures and achieve similar results.
 - 2.1. Documentation (which need not include a print-out of a complete report) must include:
 - 2.1.1. The names and parameters (e.g., date range, account range, etc.) associated with the reports that were reviewed.
 - 2.1.2. Explanation of unusual items and/or exceptions.
 - 2.1.3. Appropriate signatures and dates.
 - 2.2. Documentation must be retained and available for audit for the period prescribed by LAPR.

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3. Within the categories of financial activities identified in the following table, the associated objectives must be satisfied.

Category	Monthly Activities and Objectives
Balance Sheet Accounts	<ul style="list-style-type: none">• Review balance sheet accounts to ensure month-end balances are complete, accurate and adequately supported. Balances in clearing accounts should be promptly identified and acted upon in a timely manner.
Budget	<ul style="list-style-type: none">• Review a summary of revenues and expenditures to ensure they are complete and accurately recorded in the appropriate period. This includes recording revenues and expenditures in the proper appropriation, budget year, unit, and class.
Cash Balances and Cash Flows	<ul style="list-style-type: none">• Review cash balances and cash flows to ensure they are sufficient to cover obligations and that cash flows are in line with expectations.
Incomplete Transactions	<ul style="list-style-type: none">• Review incomplete transactions to identify corrective actions that, if taken, will ensure financial information is more accurately reported.
Revenues and Expenditures	<ul style="list-style-type: none">• Review revenues and expenditures to identify and explain unusual changes and trends.
Fixed Asset Acquisitions	<ul style="list-style-type: none">• Review pending fixed asset shells to identify fixed assets that need to be recorded in the Fixed Asset Module (FAM).• Reconcile fixed asset acquisitions to ensure that expenditures for fixed asset acquisitions in AFIS are also recorded as fixed assets in FAM.
Fixed Asset Disposals	<ul style="list-style-type: none">• Review fixed asset disposals to ensure that all fixed assets disposed of during the quarter have been removed from FAM.
Category	Quarterly Activities and Objectives
Fixed Assets Depreciation	<ul style="list-style-type: none">• Review depreciation and amortization to verify that they are occurring as expected and ensure that they are posting to the correct expenditure objects.

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4. Monthly financial reviews and verifications must be completed by the end of the month following the month in which the transactions took place.
5. Quarterly financial reviews and verifications, when allowed, must be completed by the end of the month following the calendar quarter (i.e., the quarters ending March 31, June 30, September 30 and December 31) in which the transactions took place.
6. The person performing the verification and review, must complete, sign and date the Form GAO-66, Financial Review and Verification. The agency chief financial officer (or the CSB) and either the agency head or a deputy agency head must also acknowledge—by signature, title and date—receipt of the Form GAO-66.
7. Within each agency, those holding the positions set forth in the following table shall have the associated responsibilities.

Position	Responsibilities
Agency Controller or Agency CFO Designee or Central Service Bureau (CSB)*	<ul style="list-style-type: none">• Communicate with agency program managers to:<ul style="list-style-type: none">• Confirm budget status.• Verify large transactions.• Validate that program decisions are correctly reflected in the monthly financial status.
Agency CFO or CSB*	<ul style="list-style-type: none">• Confirm proper and timely completion of the monthly financial verification and review.• Review the status of finances and appropriations.• Review large transactions, trends, and exceptions for reasonableness.• Evaluate unresolved issues.
Agency Head or Deputy Agency Head or equivalent	<ul style="list-style-type: none">• Review overall agency financial position and highlights of the financial verification and review results.

* The CSB assumes these responsibilities only when agreed to in writing by the CSB.