Policy : Establishing and Maintaining Accounting System  
Policy Number : FPP-ACCT-002  
Date Issued : Active  
Effective Date : September 1, 1997  
Date Revised : September 1, 2004  
Responsible Official : Controller  
Approved By : VP Finance

Definitions

Chart of Accounts (COA)  
The framework for the general ledger that defines accounting entities and its relations. The chart of accounts consists of the account titles and account numbers assigned to the titles.

Purpose

One of the element of internal control structure is effective accounting system that can safeguard the University’s assets, and which is capable of accurately recording the University’s financial activity. It is, therefore, imperative that financial reports reflect accurate account information from the general ledger. The general ledger thus represents the heart of accounting information.

Policy Statement

The University should establish and maintain an effective accounting system to record, classify, summarize, and report financial data in conformity with established accounting policies. The accounting system should enable financial information management, budgetary control, and regulatory compliance. In establishing and maintaining the University's accounting system, consideration will be given to the special needs of schools, departments, units, projects, and activities.

Authorization

The Controller has primary responsibility for the establishment and maintenance of the University's accounting system.

Forms

Policy Guidelines  
Establishment and Maintenance of University Accounts  
Any department or unit may initiate the request for creation of an account. Such request should be made in writing either thru email or memo to the Budget and Financial Planning Office to create the new code. The request should provide a rationale for the creation of the new code. New account codes should be communicated to the requesting department or unit, and the Controller’s Office. Sponsored program projects and awards accounts are established upon the request of the Grants Accounting Services. Accounts may also be opened for sponsored projects and grants when a sponsor has assured funding but official award documents have not yet been received for processing. The assurance of funding should be confirmed in writing by the Senior Administrator in his Area the sponsored activity will take place. Furthermore, these projects must be guaranteed by the Office of Sponsored Programs (OSP).

General Ledger  
Set-Up and Posting  
The University maintains a general ledger system (GL) for the quick and accurate accumulation of all financial transactions and budgetary control. The GL is based on the University COA. The COA reflects the University’s budgeting structure, thus the COA group accounts by Agency, and the Agency code include:

010  President  
020  Finance  
030  Students Services  
040  Academic  
050  Planning and Administration  
060  Institutional Advancement  
070  Center for Adult and Continuing Education (CACE)
Within each Agency, departments, units, grants, projects, and activities are assigned an Organization code against which the University budgets the relevant expenses and revenues for that organization. Detailed Organization code can be obtained from the Administrative Data Computing Services (AdCS) by asking for the ORGN.txt report.

The following are the major account groups in the COA:

1xxx  Assets
11xx  Cash and Cash Equivalents
13xx  Accounts Receivable
14xx  Prepayments
15xx  Guarantee and Other Deposits
16xx  Investments
17xx  Inventories
18xx  Due from Other Funds
19xx  Plant and Equipment
2xxx  Liabilities
20xx  Accounts Payable
21xx  Deposits Received
22xx  Clearing Accounts
23xx  Deferred Revenue
24xx  Accrued Liabilities
25xx  Unamortized Discount
26xx  Reserves and Provisions
28xx  Due to Other Funds
3xxx  Net Assets (Fund Balance)
4xxx  Revenue
51xx  Personnel Services
52xx  Benefits
53xx  Fringe
59xx  Payroll Offset
61xx  Supplies
62xx  Services
63xx  Supplies for Resale
64xx  Financial Expenses
65xx  Financial Aid and Scholarship
66xx  Insurance
67xx  Other Current Charges
68xx  Taxation
69xx  S&S Offset
71xx  Equipment, Furniture, Vehicles, and Library Books
72xx  Capitalized Costs
73xx  Capital Improvements
74xx  Grantor Equipment
79xx  CAPEX Offset

**Functional Expense** The University reports expenses in its financial statements according to the
Establishing Contra Accounts

The University records financial transactions at their historical cost. However, the University uses contra accounts where GAAP require that an account be stated in the financial statements at the least of book or market, the net realizable value, or similar valuation methods.

Financial Information Adequacy

The University implements a centralized accounting system where accounts for all departments and units are kept. The University central system may not be adequate for specific operations, especially, the auxiliary enterprises. Thus, departments may establish their internal accounting system for convenience and suitability to operations, but they should always reconcile their records to the central accounting system information.

Auxiliaries (internal service providers) are authorized to post their charges to the accounting system thru processing a Journal Voucher (JV) to debit benefiting organizations and credit the Relevant revenue Source. Original of the processed
**The American University in Cairo**  
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 JV should be sent to the Controller regularly. Departments may have enquiry access to the central financial system restricted to their accounts only.

**GL Activity**

All valid general ledger entries, and only those entries, should be accurately recorded in the general ledger. The term “Valid” means an entry that is prepared on one of the source documents affecting the GL, adequately approved, supported by documentary evidences, checked by the Controller’s Office for accuracy and completeness, and approved for posting by the relevant authorized officer.

The University maintains a computerized GL known as Colleges and University Financial System (CUFS) by American Management Systems (AMS) since 1989. CUFS limits the source accounting documents for updating the GL to the following:

<table>
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<tr>
<td>Manual Warrant (MW)</td>
<td>To record payments by checks</td>
</tr>
<tr>
<td>Cash Requisition</td>
<td>To record cash payments</td>
</tr>
<tr>
<td>Journal Voucher (JV)</td>
<td>To record non-cash activities</td>
</tr>
<tr>
<td>Cashier’s Closing (CR)</td>
<td>To record income received thru the cashier</td>
</tr>
<tr>
<td>Bank Closing</td>
<td>To record income received thru the bank</td>
</tr>
<tr>
<td>Invoice (IN)</td>
<td>To record billing</td>
</tr>
<tr>
<td>Internal Voucher (II)</td>
<td>To record</td>
</tr>
<tr>
<td>Expense Transfer (IX)</td>
<td>To record</td>
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The GL can also be updated thru recurring adjusting journals entries that come as a result of a periodic system action. For example the depreciation run updates the accumulated depreciation accounts in the GL. However, the depreciation expense is allocated to all budget centers thru a JV.

CUFS provides other source documents for updating other modules. Only the above documents can be used to record transactions that affect the GL.

For detailed document referencing, please refer to the Controller’s memo dated February 24, 2000.

CUFS does not provide subsidiary ledgers, instead accounts are created within the GL with alpha numeric codes in the Balance Sheet related accounts group for specific purposes. For example, C000 to C999 is assigned to cash imprest holders, and S000 thru S999 to Staff Advances by employee name, and so forth. The only exception to this point is the fixed assets sub-system which may be looked at as a subsidiary ledger for fixed assets, and there are control accounts in the GL for each fixed asset group.

**Adequate Documentation**

All source documents for GL entries should be prepared only on the basis of adequate supporting documentation.

**Authorization of Entries**

All source documents for GL entries should be authorized by a responsible official in the Controller’s Office who is not involved in originating those entries.

Reallocation entries of specific expenses can be authorized by the Director of Budget and Financial Planning.

Posting of internal charges entries is delegated to the service providers.
## The American University in Cairo
### Policies and Procedures

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**All other entries should be posted by the staff of the Accounting Support Office of the Controller’s Office. The services of Student Assistants may be used in data entry in emergency cases, but after securing the written approval of the Controller.**

### Transaction Codes
CUFS assigns System Reference number to all documents except MW where the University decided to use the check number as the reference to facilitate logging checks and bank reconciliation. However, the first six digits to the left of all documents Transaction Code are used to identify document type, currency, special purpose. For example Manual Warrants covering grants transactions is using MWLEGR, endowment transactions MWLEND, while the general transactions uses MWLEOO.

### Trial Balance
To ensure accuracy, integrity, and completeness of accounting information, the University produces a monthly trial balance (CUFS A613). A613 summarizes the GL activities by fund and account group. A613 should be reviewed regularly by the relevant units of the Controller’s Office for exceptional or irregular balances related to their operations. Reconciliations should be performed between control accounts maintained in the general ledger and related information for reasonableness and accuracy.

### Physical Security
Hard copy as well as electronic copy of A613 and all other monthly closing reports should be kept in at least two physically separated locations. AdCS should backup CUFS regularly and keeps at least one copy of the backup in a physical separated location from the computer room. Access to original documents covering processed financial transactions is not permitted unless a written request is submitted to the Controller and approved. Copies of documents –at the approval of the Controller- will be made at cost charged to the unit or department requesting those documents. Documents delivered for Xeroxing shall have to be delivered –on a one-by-one basis- against the receiving signature of a responsible officer.

### Interim Closing
The University prepares bi-annual financial statements. For the purpose of interim reporting, the University runs the depreciation for six months, estimates material accrued expenses and deferred revenue especially tuition and revenue. Off-book adjustments are processed for the endowment funds and grants.

### End-Year Closing
The University prepares its annual financial statements in accordance to the Accounting Policy FPP-ACCT-001. The Controller circulates to all University departments and units no later than the first week of June annually the deadlines for the end-year closing cycle. The University end-year closing cycle has four phases:

1. Cash basis Closing,
2. Period 12 accrual closing,
3. Period 13 adjustments,