



The American University of Kurdistan Chart of Accounts Maintenance Policy and Procedures

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CONTENT

- I. Introduction
- II. Roles and Responsibilities
- III. Definition
- IV. Policy Statement
- V. Policy Procedures
- VI. Policy History

I. INTRODUCTION

- a. **Authority:** The Board of Trustees (herein referred to as “Board”) at The American University of Kurdistan (herein referred to as “AUK” or “University”) is authorized to establish rules and regulations to govern and operate the University and its programs.
- b. **Purpose:** The purpose of these procedures is to outline the management of the Chart of Accounts and General Ledger by University staff involved in financial transactions and management reporting.
- c. **Scope:** This policy applies to all AUK employees and units.

II. ROLES AND RESPONSIBILITIES

- a. **Responsible Executive:** Vice President for Administration and Finance (VPAF)
- b. **Responsible Administrator:** Director of Finance
- c. **Responsible Office:** Office of VPAF
- d. **Policy Contact:** Director of Finance

III. DEFINITION

Chart of Accounts – listing of accounts and their characteristics as defined by their attributes.

General Ledger - the general ledger is the central accounting record that systematically summarizes all financial transactions of a business, categorized by accounts, in a double-entry accounting system.

IV. POLICY STATEMENT

The Office of Finance is responsible for ensuring the proper recording and classification of all revenues, expenses, assets, liabilities, and net assets. The Office of Finance will ensure proper recording and classification by properly maintaining the Chart of Accounts of the General Ledger and overseeing account setup and the assignment of attributes to accounts. All requests for new or modified (including closing or inactivating) chart of accounts need to be approved by the Finance Director, and subsequently the VPAF.

V. POLICY PROCEDURES

The university recognizes the importance of maintaining a structured Chart of Accounts (COA) as a fundamental component of its financial management framework. This policy is established to ensure transparency, accuracy, and compliance in all financial activities, from daily transactions to comprehensive financial reporting. The COA serves as the cornerstone of AUK's fiscal organization, offering a systematic classification of financial resources, obligations, revenues, and expenses. This policy delineates the process for COA setup and modification, details the categories within the COA, outlines its format, and enforces compliance with established financial standard. It is essential that all finance staff understand how the Chart is to be used.

Roles and Responsibilities

Requester:

- Requests a new account or account modification in the General Ledger.
- Provides detailed justification and rationale for the new account or requested change, including the purpose.
- Communicates with the Director of Finance to address any questions or concerns regarding the proposed change.

Director of Finance:

- Reviews and evaluates the requested account or account modification to ensure alignment with the university's financial framework, standards, requirements, and objectives.
- Verifies the accuracy and completeness of the information provided by the requester.
- Assesses the financial implications and risks associated with the proposed change and determines its feasibility and appropriateness.
- Approves or rejects the requested account or account modification.
- Provides guidance and support to the requesting unit throughout the process and communicates decisions effectively.

POLICY- Chart of Accounts Maintenance

Vice President for Administration and Finance (VPAF):

- Provides oversight and final approval authority for all new accounts or account modifications in the General Ledger.
- Ensures that the proposed account aligns with the AUK's overall financial strategy and goals.
- Reviews recommendations from the Director of Finance and other relevant stakeholders and makes informed decisions based on AUK's priorities and resource allocation.
- Communicates decisions and directives related to account maintenance to relevant stakeholders and ensures timely implementation and follow-up.

The Chart of Accounts

The COA is a structured framework that organizes and categorizes financial transactions within the university. It provides a clear and standardized means of recording, tracking, and reporting financial information. The COA is divided into several key categories:

- *Assets*: This category encompasses current and non-current assets, representing resources with future economic value.
- *Liabilities*: Liabilities encompass current and non-current obligations and debts owed by the university.
- *Net Assets*: Net Assets reflect the university's financial position, categorized into unrestricted, temporarily restricted, and permanently restricted net assets.
- *Revenues*: Revenue accounts detail the sources of income sustaining the university's operations.
- *Expenses*: Expenses are categorized by function or nature, accounting for costs incurred in academic and administrative functions.

The General Ledger and Chart of Accounts should provide the ability to input and extract information accurately and efficiently for the following purposes:

Internal reporting to managers, for use in planning and controlling routine operations (monitoring and analysis of financial reports, management, and development of budgets).

Internal reporting to managers, for use in making non-routine decisions in formulating major plans and policies (strategic budget management, business plans, allocating/redistribution of budget funding etc.).

External reporting to stakeholders, government, and other outside parties (Annual Report, Business Plans etc.).

1. The number of accounts will be limited to a level necessary to ensure the efficient operation of the University. All requests to create new accounts must be accompanied by proper approvals from the Finance Director and subsequently, the VPAF.
2. Accounts will be established to reflect the nature of the revenues to be generated and/or the purpose of the expenditures to be incurred.
3. Departments are required to notify the Finance Department, on a timely basis, of any organizational change affecting reporting responsibility.

New Account Setup or Account Modification

All new accounts, or account modifications proposed in the General Ledger have to be requested through the Office of Finance. They will be reviewed and approved by the Finance Director and the VPAF.

1. *Initial Proposal:* Any request to establish a new account, or modify an account in the General Ledger begins with an initial proposal submitted to the Office of Finance. This proposal in report format, includes a comprehensive rationale for the new account, or modification of an existing account, its intended use, and its proposed attributes.
Request for Modification: Requests to modify existing account attributes, such as account codes, descriptions, or classifications, are submitted to the Office of Finance.
2. *Office of Finance Review:* The Director of Finance conducts a review of the proposal. Their assessment ensures that the proposed account aligns with the university's financial framework, standards, requirements and objectives.
3. *Vice President for Administration and Finance (VPAF) Review:* The creation of new accounts or changes to existing account are subsequently reviewed by the Vice President for Administration and Finance (VPAF). This ensures an additional layer of scrutiny, safeguarding the integrity and compliance of AUK's financial records.
4. *Approval:* Upon successful review, the Finance Director and VPAF have to grant approval for the creation of the new account.

Internal Control

Internal control measures are integral to maintaining the integrity and accuracy of our chart of accounts. To uphold these standards, we implement primary and secondary controls. Primary controls consisting of preventive and directive controls. These include restricting access to all users to make any changes to the chart of accounts, but also the creation of this policy. The secondary controls include compensatory and complementary controls by assigning distinct responsibilities, authorization, and cross-verifying processes, we ensure comprehensive oversight and accuracy in our financial records.

- *Segregation of Duties:*
AUK enforces a segregation of duties framework to prevent any single individual, from having complete control over the chart of account maintenance processes. The duties have been segregated among the requester, director of finance, and VPAF. By delineating responsibilities across these roles, AUK mitigates the risk of errors. Key duties related to chart of accounts maintenance are allocated among multiple personnel to promote checks and balances and reduce the likelihood of unauthorized actions.
- *Authorization Procedures:*
All changes or updates to the chart of accounts require strict adherence to authorization procedures. The Director of Finance and VPAF are responsible for approving any modifications to the chart of accounts structure or coding. This ensures that changes are made in accordance with university policies and strategic objectives, minimizing the risk of unauthorized alterations.
- *Documentation and Audit Trail:*
Documentation of chart of accounts maintenance activities is maintained by the Office of Finance, to provide a clear audit trail and support accountability. Any additions, deletions, or modifications to account codes, descriptions, or classifications are systematically recorded and archived for future reference. Regular audits and

POLICY- Chart of Accounts Maintenance

reviews of the chart of accounts by the Office of Finance ensure proper internal control.

- *Monitoring and Oversight:*

Continuous monitoring and oversight mechanisms is kept by the Director of Finance and VPAF to proactively identify and address any deviations from established chart of accounts maintenance protocols. Regular reviews of transactional data, account balances, and system activities are conducted to detect anomalies or irregularities promptly. Any discrepancies or exceptions identified are promptly investigated, and corrective actions are implemented to mitigate risks and uphold data integrity.

Enforcement and Compliance

This COA maintenance policy is binding and shall be adhered to by all university units and departments. Compliance with this policy is crucial to maintaining the integrity and accuracy of financial records. The Office of Finance in collaboration with the VPAF, will oversee and enforce adherence to this policy.

Violations of this policy or associated procedures may result in appropriate disciplinary measures in accordance with University By-Laws, and Code of Conduct for All University Employees.

VI. POLICY HISTORY

- a. **Approved by:** Board of Trustees
- b. **Adopted:** June 2, 2024