

Financial Policy

Effective Date: 2025.12.01

I. Purpose

The purpose of this policy is to establish a framework for responsible financial and asset management, empowering the University to fulfill its obligations effectively. This policy provides detailed guidance on fiscal management, accounting regulations, procedures, transactions, and reporting practices, and references the corresponding policy if managed separately. It is designed to ensure compliance with institutional policies as well as state and federal regulations. The Office of Finance is dedicated to upholding all applicable federal, state, and local laws, regulations, codes, and ordinances, reinforcing the University's commitment to transparency and accountability in its financial operations.

II. Scope of the Policy

This policy applies to all financial activities at the University, including those carried out by staff, students, external creditors, debtors, and other stakeholders. It promotes consistent and responsible financial practices throughout the institution by defining its application across Sagrado's operational, administrative, and financial functions. The policy also guides the implementation of related policies that support transparency, accountability, and best practices. This policy is subject to updates as needed.

III. Definitions

This section provides definitions for key terms used throughout the financial policy to ensure clarity and consistency.

Audit: A systematic and independent examination of books, accounts, statutory records, documents, and vouchers of Sagrado to determine the accuracy and reliability of financial information and to ensure compliance with applicable guidelines.

Conflict of Interest: A situation in which an employee or affiliate has private interests that may interfere with or appear to interfere with the performance of their official duties.

Standards of Conduct: The ethical guidelines and behavioral expectations that apply to all Sagrado employees and stakeholders in managing financial operations.

Anti-Fraud Policy: A policy that establishes preventive, detective, and corrective measures aimed at identifying and mitigating fraud, waste, or abuse of resources.

Accounting Records: Comprehensive records that document all financial transactions and positions of Sagrado.

Source Documentation: Original documents and records that provide evidence of each financial transaction (e.g., receipts, invoices, contracts).

Subrecipient Accounting Records: Financial records maintained by any third party or subrecipient that receives funding on behalf of Sagrado to ensure that funds are utilized according to established guidelines.

IV. Roles and Responsibilities

The effective implementation of this policy requires defined roles and responsibilities:

- The **Chief Financial Officer (CFO)** is responsible for the overall administration, interpretation, and enforcement of this policy.
- The **Controller's Office** manages the day-to-day execution of accounting functions and ensures that financial transactions are accurately recorded and reported.
- **Department heads** are responsible for implementing internal controls and adhering to financial policies within their respective units.
- All **employees** engaged in financial operations are responsible for complying with this policy, attending required training, and reporting concerns or violations.

V. Internal Controls

Sagrado maintains a robust internal control framework aligned with the Committee of Sponsoring Organizations (COSO) Standards. Key elements include:

- Segregation of duties
- Authorization and approval hierarchies
- Secured access to financial systems and records
- Periodic reconciliation and variance analysis
- Risk assessment and control activities
- Documentation of policies and procedures

VI. Budgeting and Financial Planning

Sagrado's annual budget process ensures alignment with its institutional priorities and financial sustainability. The Finance Office leads the budgeting process and includes:

- Departmental input and allocation reviews
- Oversight and approval by the Board of Trustees
- Continuous monitoring of actual-to-budget variances
- Procedures for budget amendments

VII. Audits

Sagrado conducts periodic internal and external audits to verify that the financial records and practices conform to applicable regulations and standards. The audits are designed to identify any

discrepancies or control deficiencies, ensure financial integrity, and provide recommendations for improvement.

VIII. Conflict of Interest and Standards of Conduct Policy

Sagrado enforces a strict conflict of interest policy to ensure that all employees, contractors, and affiliated parties uphold the highest standards of ethical conduct. This policy outlines the procedures for disclosure, the evaluation of potential conflicts, and the actions to be taken to resolve any identified conflicts. It also establishes conduct standards to promote fairness, impartiality, and accountability in all financial dealings.

IX. Anti-Fraud, Waste, Abuse, or Mismanagement Policy

Sagrado has implemented controls to actively prevent and detect fraudulent activities, waste, abuse, or mismanagement of funds. The policy establishes clear procedures for reporting, investigating, and resolving issues. It ensures that stringent controls are in place to protect the institution's resources and uphold public trust.

X. Accounting Records and Systems

Accounting Records: Sagrado maintains detailed and accurate accounting records that capture every financial transaction in the accounting system. These records include, but are not limited to, general ledgers, journals, trial balances, and supporting schedules. All records are maintained in a secure and retrievable format and are regularly updated to reflect the current financial status. To properly safeguard the University's financial information, Sagrado has implemented logical access controls as well as a structure with proper segregation of duties for the different processes and systems managed. Sagrado assigns users rights and privileges to the systems based on employee roles and responsibilities. The accounting records conform to the highest standards of accuracy and transparency, ensuring that all financial activities are verifiable against established standards and regulatory requirements.

Source Documentation: Sagrado ensures that every financial transaction is supported by appropriate source documentation. This documentation includes receipts, invoices, contracts, and other relevant records that serve as the basis for each entry in the accounting records. Source documents are retained in accordance with regulatory and institutional retention policies, and they are subject to periodic reviews to ensure authenticity and completeness. This process provides a robust audit trail and aids in the verification of financial transactions.

Subrecipient Accounting Records: When funds are transferred or administered through subrecipients, Sagrado requires that the subrecipient maintain accounting records that meet Sagrado's established standards. These records include detailed accounts of expenditures, receipts, and any supporting documentation. Sagrado regularly reviews these subrecipient records to verify compliance with funding requirements and to ensure that the funds are used solely for their intended purposes. Any discrepancies identified during these reviews are addressed immediately through corrective actions as defined in the anti-fraud and conflict of interest policies.

XI. Procurement and Disbursement

All procurement and payment processes must adhere to the University's Procurement Policy and Accounts Payable guidelines. Key controls include:

- Vendor registration through AdminHub
- Requisition and purchase order approval before acquisition
- Three-way match verification (PO, receipt, and invoice)
- Use of credit cards only in accordance with institutional procedures
- Timely submission and processing of payment requests (e.g., PREQs, DVs)

XII. Capital Assets and Depreciation

Sagrado manages its capital assets in accordance with Generally Accepted Accounting Principles (GAAP) and standards issued by the Financial Accounting Standards Board (FASB).

The University follows its *Property Capitalization Guide* to define which assets are capitalized, their minimum value, useful life, and how they are recorded in the financial system. Depreciation is calculated using the straight-line method with a half-year convention, meaning only half of the annual depreciation is recorded in the first and last year of the asset's useful life.

The Finance Office maintains a capital asset register that includes:

- Equipment, buildings, land, and other long-term assets
- Minimum capitalization thresholds
- Depreciation schedules and useful life estimates
- Procedures for asset tagging, impairment, disposal, and donation

XIII. Compliance and Review

Sagrado's Financial Policy is reviewed periodically to incorporate regulatory changes, address emerging risks, and ensure that the institution continuously adheres to the highest standards of financial management and integrity. All staff members involved in financial operations are required to understand and implement these policies, ensuring compliance through training, periodic audits, and continuous monitoring efforts.


XIV. Questions About this Policy

Questions regarding the scope and interpretation of this Policy should be directed to the Chief Financial Officer at 787.728.1515, ext. 5424.

XV. Reporting Violations

Violations of this Policy should be directed to the Office of Compliance, Audit, and Institutional Integrity at cumplimiento@sagrado.edu. Any violations of this Policy will be addressed in accordance with the University's policies and procedures.

Universidad del Sagrado Corazón reserves the right to interpret this Policy in its administration, implementation, and enforcement. If there is any ambiguity in any provision of this Policy, the University reserves the discretion to interpret it in accordance with the purpose for which it was established, the impact on the University's operations, and in good faith, unless otherwise provided by law.



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