

College of Food, Agricultural, and Environmental Sciences

Internal Control Structure

Background

The University is required to maintain sound financial records in order to meet its stewardship obligations in accordance with the legal provisions of the State of Ohio, the University's obligations to its funders, and Generally Accepted Accounting Principles. Because the University operates on a decentralized basis, it delegates this stewardship responsibility to its colleges. CFAES in turn delegates this stewardship responsibility to its component units.

As a major public institution, The Ohio State University is held to a high level of accountability for its business practices. Accordingly, every reasonable effort must be made by all employees to ensure that funds are used in a responsible and appropriate manner consistent with the University's mission, applicable law, and ethical practice. Employees who have been delegated the authority and privilege to initiate and approve finance, procurement and human resources transactions must agree to abide by:

- University Policies found on the University Office of Integrity and Policy website: <http://policies.osu.edu/aud>

Specific policies related to finance and human resources include:

- Business and Finance University policies as referenced at <http://busfin.osu.edu/policies/atoz.aspx>;
- Human Resources University policies as referenced at <http://hr.osu.edu/policy/index.aspx>.
- Financial Code of Ethics: http://www.busfin.ohio-state.edu/FileStore/PDFs/190_FinancialCodeOfEthics.pdf

Philosophy

The college internal control structure is designed to:

- Encourage adherence to policies and procedures
- Assure separation of duties
- Provide approval authority and delegate responsibility to an appropriate level
- Provide reasonable assurance that transactions are appropriate, authorized, accurate and documented
- Safeguard assets
- Support the mission of the organization
- Be efficient and effective

Segregation of duties is fundamental to the internal control structure. It protects employees, prevents and detects intentional and unintentional errors and assures fiduciary controls. As such:

- No individual may have control over a transaction from beginning to end
- At least two people are involved in every transaction
- Approvers may not initiate transactions unless further approval is required
- A system of checks and balances exist

CFAES Model

Each operating unit (department, operating unit) initiates human resources and fiscal transactions and provides business purpose and budget approval as determined by the unit's delegation of signature authority document. However, access to University administrative systems (PeopleSoft HR and PeopleSoft Financials) is restricted to the business service centers and the Human Resources service center staff for most functions, such as initiation and approvals in these systems. Units may have view only, journal entry initiation and approval, and approval for vouchers in excess of the University threshold (vouchers processed by the service centers).

Signature Authority

The Vice President and Dean of CFAES delegates authority and responsibility for financial and human resources activity approvals, via annual letters of delegation, to the Finance Director and the Director of Human Resources for the college, Assistant and Associate Deans for their areas of responsibility, and to department chairs/directors of the operating units. (See college leadership here: http://cfaes.osu.edu/sites/cfaes_main/files/site-library/site-documents/about/CFAES-Org-Chart-201407.pdf). Transaction approvals are further delegated via unit signatory documents, which are maintained at the college level and the service centers. Delegations of approval are made to both primary and back-up approvers. Approval authority is not delegated to unit leaders when University or CFAES policy require the Dean's approval.

Staff members who have been delegated signature authority (approver role) must:

- Hold a position that allows independent thinking and exercise of judgment
- Have a fundamental knowledge of policies and procedures, understand the business purpose of what they are approving and have the authority to say no
- Be restricted from initiating the system transactions they approve
- Be restricted from approving transactions involving themselves
- Have completed all the University training for the approval roles they hold
- Notify the Finance Director when temporary transfer of approval authority is requested to continue to facilitate business during absences (Vacation, travel, extended sick time)

The college designates two levels of approvers for purchases, designated by org number or d-node:

- The Level 1 approver reviews for business purpose and dollar amount. This approver is a designated individual who has the business knowledge and authority to determine the appropriateness of the transaction without gratuitous influence or interference by the transaction initiator.
- The Level 2 approver is accountable for reviewing and approving all fields in the transaction including budget availability, chartfield, for compliance with policy, and proper approval.

Any approver who feels threatened or obligated to approve a transaction should immediately report such a conflict to the Finance Director or Director of Human Resources for resolution. All fiscal/HR personnel either have a direct reporting line or a dotted reporting line to the Finance Director or the Director of Human Resources.

Approval roles will be maintained at a designated point and may also be requested by emailing mcclain.112@osu.edu. Electronic systems including eRequest, eTravel, HRA, eTime, eLeave, PeopleSoft HR and Financial systems, and Surplus shall have approver roles assigned in accordance with the delegation letter and central listing. Oversight of the approval systems shall include:

- Centralized control over maintenance of the electronic systems access
- Additions and deletions from approval roles based on hiring, termination, promotion or other reasons
- Training completed and verified specific to each approval role
- Annual reminders to those with approval roles
- Any necessary documentation (signed letter of acceptance) of approval roles

Standard language as required by the University is included in the position descriptions of the Dean, Associate Deans, Unit Heads, the Finance Director and Human Resources Director. As noted before, all fiscal/HR personnel have straight or dotted reporting lines to these individuals.

The system of internal control is reviewed at least annually by CFAES leadership and by delegating administrators to determine that:

- Prescribed policies and procedures are being interpreted properly and are being carried out
- Changes in operating conditions have not made the procedures cumbersome, obsolete, or inadequate
- Corrective measures are taken promptly when systems breakdowns appear.

The Dean, Finance Director, and Director of Human Resources may remove any delegations at any time for any reason.

Specific Internal Control Components for Types of Functions

Human Resources

Timekeeping: System timekeeper roles for entry and approval are assigned to separate individuals as determined by the designations of signature authority. Approval and back-up roles are approved by the FAES HR Service Center before access is granted.

Payroll Certification: Responsibility for completion of payroll certification documents rests with each operating unit for the employees in that unit. FAES Human Resources is responsible for monitoring compliance with the payroll certification requirement.

Reconciliation: Operating units are responsible for reviewing their reconciliation reports to ensure that their correct personnel are being paid and the correct chartfields have been used.

Position Data: Operating units initiate and provide unit-level approval for position data transactions via Human Resources Action requests. FAES Human Resources provides college-level approval for position data activity. FAES Human Resources Service Center personnel provide oversight and entry of data into the HRIS system.

Job Data: Operating units initiate and provide unit-level approval for job data transactions via Human Resources Action requests. FAES Human Resources provides college-level approval for job data activity. FAES Human Resources Service Center personnel provide oversight and entry of data into the HRIS system.

Additional Pay: Operating units initiate and provide unit-level approval for additional pay via Human Resources Action requests. FAES Human Resources provides college-level approval for additional pay. FAES Human Resources Service Center personnel provide oversight and entry of data into the HRIS system.

Procurement and Payment

Every OSU Employee has access to enter an eRequest or eTravel Request (“self-service”). Units can also identify individuals (“requestors”) who can initiate on another employee/non-employee’s behalf. Responsibility for approval of business purpose and appropriateness is delegated within each unit to the department chair or management staff. Responsibility for budget approval generally is delegated within each unit to its fiscal officer. The service center will then review/adjust the eRequest for compliance and then enter and approve the transaction in PeopleSoft. The service center will provide an independent assessment of reasonableness. The procurement transactions process flow along with the roles and responsibilities vary for typical purchases, purchasing card purchases, and travel (see Attachment A). Procurement systems access and security are assigned and business processes are engineered so that staff that are able to initiate transactions are not also able to approve those same transactions.

Transactions should be preapproved prior to purchase either via an approved eRequest or T number or verbally within the unit except in the cases of emergency need.

Reconciliation to the general ledger (GL) on a monthly basis is the responsibility of the staff in each unit. Documentation for transactions will be retained in these units per university records retention policies.

General Ledger

The Finance Director assigns finance staff roles for initiating and approving journal entries and budget/fund transfer. In addition each unit may have staff responsible for initiating and approving journal entries and budget/fund transfers within specific defined units (designated by org or d-node).

Cash Handling

The cash handling processes includes the segregation of duties as defined by the following roles.

- **Cash Collection Point Staff:** Conducts cash transactions with customers. Enters each transaction into a cash register or receipt ledger. Provides a receipt to everyone paying in person. Endorses all checks immediately upon receipt with a restrictive endorsement.
- **Cash Collection Point Supervisor/Unit Approver:** Monitors cash receipting functions and authorizes various transactions, such as refunds, voids, and cash drawer reconciliations. Has access to the cash drawers and safe, if applicable.
- **Deposit Preparer:** Retrieves and counts the cash receipts from the current or previous business day, prepares the deposit, stores cash in a secure location, and delivers it to the designated deposit drop location. Records all cash and checks received in the deposit log. [Brian to add on Chase machine for deposits]
- **Reconciler:** Verifies that the Deposit Preparer has deposited all cash received (daily on weekdays). On a monthly basis, reconciles validated deposit forms to the supporting documentation and to the General Ledger Statement of Accounts.

These processes occur in the individual CFAES units, though some Deposit Preparers are in the service centers.

All petty cash and change funds have a designated fund custodian and back-up custodian approved by the department head and Finance Director. Any custodian changes are approved by the Finance Director. Custodians follow Office of Business and Finance policy 5.11.

Inventory

The inventory levels are managed by each unit. The units perform periodic cycle counts to ensure the physical count balances with the tracking count. In some units this is assigned to the Equipment Coordinator and in some units this is assigned to a separate individual. The college office expects the unit financial manager, or other person as delegated, to perform inventory management tasks including:

- Restocking via standard procurement procedures
- Physical audits of inventory at least annually
- Reconciliation of the general ledger against physical counts.
- Write-offs of obsolete inventory
- Journal entry transfers, as enacted through the GL approval process.

Equipment

Capital Equipment – Defined as moveable equipment with a cost of \$5,000 or more. Each new piece of capital equipment is tagged and added to the PeopleSoft Asset Management System by the Asset Management office. An annual physical inventory of all capital equipment is performed by the units, usually the Equipment Coordinator, in conjunction with CFAES Information Technology Services. When equipment is no longer needed the retirement/surplus forms are used to dispose of the assets. The University surplus system allows for both an initiator and separate approver. Those units disposing of equipment off campus use a similar initiator/approval process but it is a manual instead of electronic process.

Non-Cap Equipment – Defined as moveable equipment with a cost of less than \$5,000. The unit who has purchased the non-cap equipment is responsible for maintaining effective physical custody of all assets. A Non-Capital Equipment Log should be used by each unit or equipment should be tracked in the PeopleSoft Asset Management system, a template log can be found on the CFAES Finance Website under Forms. Units must tag non-cap assets that leave the office, those items considered High Risk. An annual physical inventory of all non-cap equipment is performed by the units in conjunction with CFAES Information Technology Services. When equipment is no longer needed, recording on the log is required for disposal of asset. Non-Capital equipment access tags can be ordered through the CFAES Finance Website under Forms.

Accountability and Issue Resolution

Any issues or concerns related to compliance with University policy, CFAES policy, the CFAES Internal Control Structure or the procedures associated with administrative business processes should be brought to the attention of the Finance Director or the Director of Human Resources.

Failure to comply with established policies and procedures may result in revocation of the initiator or approver access. Fraudulent use or misuse of a purchasing mechanism will result in immediate revocation of the initiator or approver access. CFAES will seek personal restitution for any inappropriate charges and corrective action, up to and including termination, and/or criminal prosecution may be initiated.

APPROVALS:

Vice President for Agricultural Administration and Dean, College of Food, Agricultural, and Environmental Sciences **DATE:** _____

Finance Director, College of Food, Agricultural, and Environmental Sciences **DATE:** _____

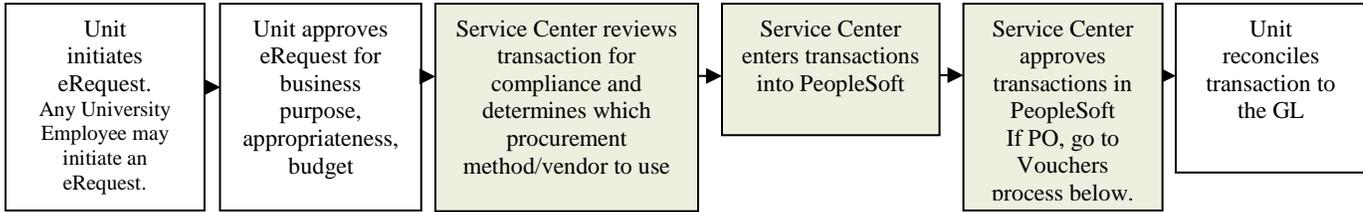
Director of Human Resources, College of Food, Agricultural, and Environmental Sciences **DATE:** _____

APPENDIX A

Service Center Process Flows

The following outlines roles and responsibilities to achieving an effective internal control structure for procurement transactions for entities falling under CFAES.

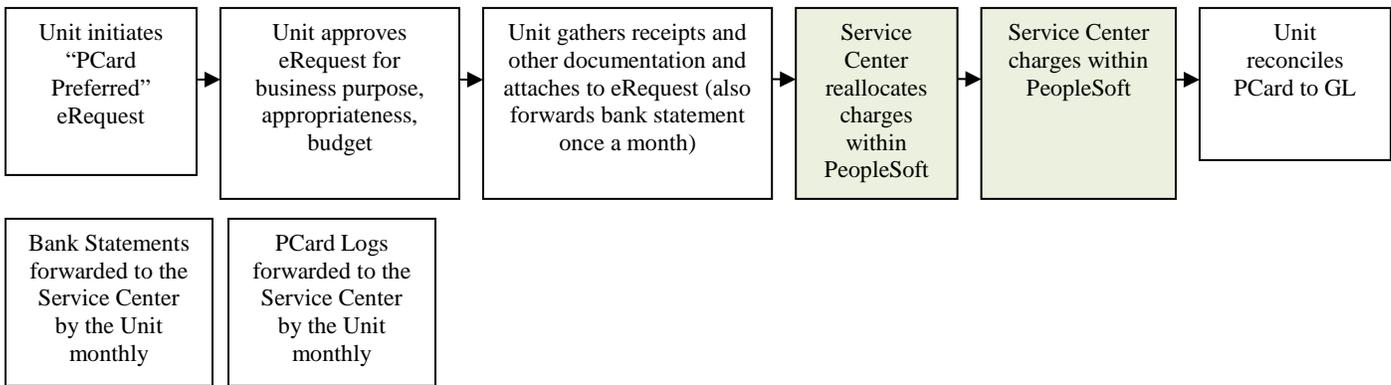
Purchasing/Payment Request Transactions



Department (Unit) Purchasing Card/Service Center Purchasing Card

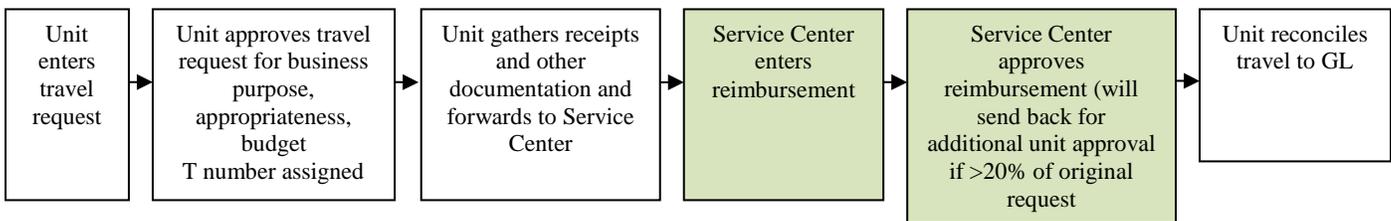
Note: some CFAES units make purchases prior to the eRequest submission and some units make purchases after the submission of the eRequest.

Note: Service Center PCard transactions may originate from a Unit eRequest or from a Service Center generated eRequest depending on circumstance. If generated by the Service Center replace the word "Unit" in the first three boxes below with "Service Center".

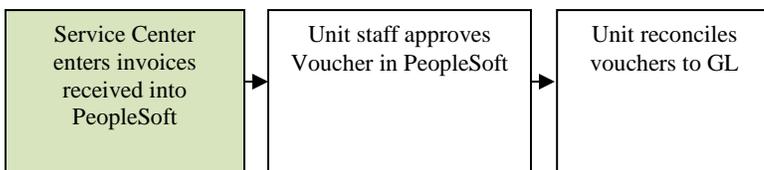


Travel

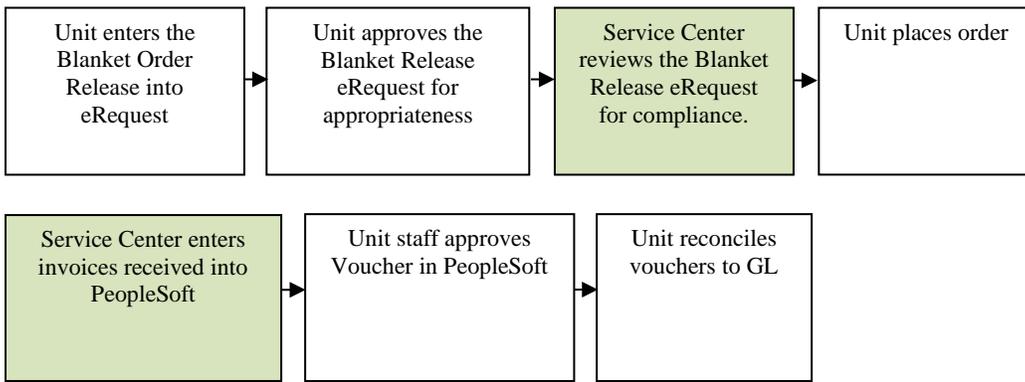
Note: in some instances the Reimbursements are entered in the Unit and not in the Service Center. In those instances replace the words "Service Center" with "Unit" in box 4 below.



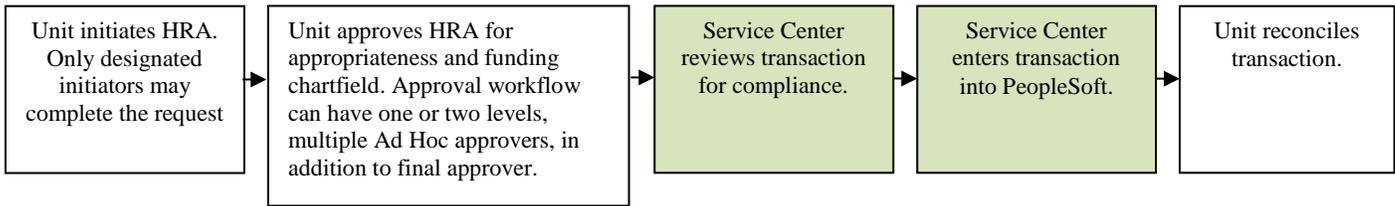
Vouchers (Line Item PO)



Vouchers (Blanket PO)

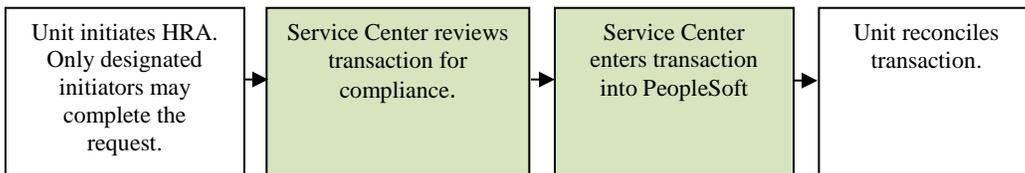


HRA (except those listed below)

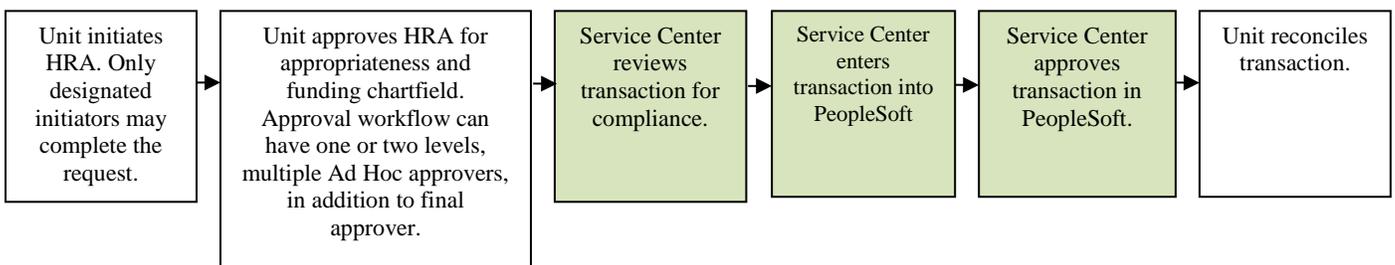


HRA Terminate and Change Funding Source

Note: For all fiscal/funding requests: a Change Funding Source Authorization document must be on file with the Service Center indicating appropriate responsible person(s) to initiate all HRA Change Funding Source and all appropriate documentation will be maintained at the unit level.



HRA Fill Existing / Create New Position with Job Requisition and Timesheet Exceptions



HRA One Time Additional Pay

