



THE OHIO STATE UNIVERSITY

COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

Internal Audit Recommendations

May 2015

These are only some of the items focused on recently by Internal Audit.

All University policies must be adhered to in order to successfully pass all audits.

Prepared by Cindy Buxton



Internal Audit Recommendations

- **Equipment/Asset Management**
- **Purchasing and Expenditure Topics**
- **Travel**
- **Cash and Credit Card Handling**
- **General Ledger Topics**



Equipment/Asset Management

Non-Capital Equipment Management

University organizations are responsible for maintaining effective physical custody over all movable equipment assets, irrespective of whether they are capital (cost of \$5,000 or more) or non-capital (costing less than \$5,000). This applies to all University owned equipment, including items purchased through the Office of Sponsored Programs. Deans, vice presidents, and senior fiscal officers may evaluate the types of non-capital equipment in their areas and identify those items that are theft-prone (such as computers, laptops, iPads, computing equipment, digital cameras, etc.), sensitive (such as firearms), or may be taken off-campus (such as laptops, cell phones, and PDAs). Items meeting these criteria must be tracked, tagged, and physically inspected at least annually.

Tracking Options:

- PeopleSoft: many of our academic units have an equipment coordinator with access to track in the PeopleSoft System.
- Non Capital Equipment Log: Those who don't have an equipment coordinator with access to PeopleSoft use a Non Capital Equipment Log to track their items.

When to use: Low risk items and High Risk items need to be tracked. Purchases < \$5,000
See Table for definitions:

What are they looking for:

- Non Capital Tag numbers need to be assigned to all movable equipment (anything that leaves the office)
- When certifying the Non Cap Log each year you should **locate the equipment** in the office to make sure nothing has gone missing or been lost.
- When certifying the Non Cap Log each year make sure the tag number on **the equipment matches what is tracked.**
- Make sure **Agreement Forms or Shared forms** are on file for all movable equipment. (see next slide)
- **Document disposal of past equipment** on the Historical Tab of the log or in PeopleSoft.

Type of Asset		Tag	Log
2) Non Capitalized Purchase price < \$5,000			
	Non Cap General	Optional	Optional
	Non Cap Low Risk Equipment that stays in the office	Optional	LOG - Non Capital Equipment Log
	Non Cap High Risk Equipment that leaves the office or is sensitive or theft prone	TAG - Non Capital Equipment Tag	LOG - Non Capital Equipment Log



Equipment/Asset Management

Agreement for Assignment of University Equipment Forms

According to University policy, assignment to an employee of any movable equipment that is to be used off-site or that could reasonably be used off-site must be documented on Form AM0004, "Agreement for Assignment of University Equipment." This requirement applies to both capital and non-capital equipment. Form AM0004 documents the employee's acknowledgement and acceptance of the responsibilities and obligations associated with the assigned equipment.

Form: <http://cfaesfinance.osu.edu/sites/cbo/files/imce/Forms/Agreement%20for%20Assignment%20of%20Equipment.pdf>

When to use: When equipment is assigned to a person and is to be used off-site

What audit is looking for:

- All movable equipment **has a form** assigned to it and is on file with the equipment coordinator
- The form is **up to date** with the current employees name and initials and the current equipment information.
 - Need a new form when you get a new piece of equipment (ex. Replacement laptop)
- The **form has been signed** by the appropriate individuals
 - employee, employee coordinator and the employee's supervisor
 - An employee cannot approve his/her own form
- The **form is completed** when equipment is discarded or removed from use, or when an employee leaves.
- When equipment is not assigned to one individual, but is shared – they will look for a **shared equipment sign-out record** instead.



Purchasing and Expenditure Topics

After the Fact Purchase Orders

The University's purchase order process enables units to procure merchandise or services from external suppliers and service providers. The University requires that purchase orders, which establish standard purchasing terms and conditions between the University and the vendor, be processed and properly approved prior to the purchase of the merchandise or services. Processing a purchase order after the obligation to purchase has been established exposes the University to potential losses and bypasses the University's control, budget check, and encumbrance processes. completed after the merchandise or services were provided.

When to use: Purchase Orders are required to be done in advance of any commitment with a vendor. They must be used when it is a restricted item, or when a PCard, Convenience Order or Checking Account cannot be used.

Example purchases: Payments to individuals for services (i.e.. speakers), Charter buses (non OSU), Purchases over \$5,000, Weapons, Ammunition, Explosives, Gas Cylinders, Renovations

What audit is looking for:

- **PO Number:** That the service center has entered the request in PeopleSoft and gotten a PO Number prior to any good or services being completed.
- **Invoice Date:** Invoices are dated post the PO Date.
- **Packing Slips:** Packing slips should be dated post the PO date.
- **Additional Information:** They are looking for additional communications that indicate you have either verbally committed or committed in writing to a specific vendor



Purchasing and Expenditure Topics

Purchasing Card Logs (Department Cards/Service Center Cards Only)

University purchase card policies require colleges and business units to maintain purchase card logs that include documentation of the date, time, and signature of the card user when receiving the card and the date, time, and signature of the card user when returning the card. This information is necessary to establish accountability and to properly manage the use of the purchase cards.

Form: <http://cfaesfinance.osu.edu/sites/cbo/files/imce/Forms/PCard%20Tracking%20Log.pdf>

When to use: The log is intended to be used when the physical card changes hands from the PCard manager to someone else. We recommend you use the log for all purchases even when it is not changing hands to make reviewing the statement easier.

What audit is looking for:

- They are looking at who completed the transaction by **reviewing the eRequest** associated. And then if that person is not the PCard manager they are looking on the log to see if it was **signed out and in completely.**

Date and Time Out, Name Out, Sign Out, T number or PR Number

Date and Time In, Name In, Sign In

Card Out			Card Returned			
Date & Time	Individual Receiving Card	PR#/T#	Supplier	Amount	Date & Time	Individual Returning Card
	Print: _____ Signature: _____					Print: _____ Signature: _____



Purchasing and Expenditure Topics

Purchasing Card Split Transactions (to avoid dollar limit threshold)

In order to reduce the risk of misuse, all purchase cards are subject to single transaction and monthly spending limits. According to the University's purchase card policy, purchases made on a University purchase card may not be split to avoid the established single transaction limit.

There is no need to have a split transaction on a card, you can request a Purchase order for high dollar purchases or if time doesn't allow for this requesting a temporary PCard limit increase is as easy as filling out the form below. Usually limits can be raised within 24 hours of submission.

Form: <http://cfaesfinance.osu.edu/sites/cbo/files/imce/Forms/PCard%20Maintenance.pdf>

When to use: When purchases for one business purpose are going to exceed monthly or transaction limits on your PCard. Most Department cards are \$5,000 per transaction and \$10,000 per monthly cycle.

What audit is looking for:

- Multiple transactions to one vendor
- The transaction includes both the transaction amount and any applicable deposits that were made prior to the event.
- Intentional use of the card to work around the dollar limits



Purchasing and Expenditure Topics

Internal Order/Inter-Departmental Billing Receipts/Proof of Receipt/Packing slip

When the university purchases goods and services, it needs a reasonable level of assurance that it has actually received the goods or services that it is paying for.

Packing Slips: For shipments of goods, external vendors and OSU internal vendors often provide a packing slip, which lists everything included in the shipment and in some cases notes items to be delivered in a later shipment. The packing slip allows for detailed matching against eRequest detail and can be a very effective means of ensuring that payment is made only for goods that are actually received by the university.

Other Acceptable Forms of Documentation: In some cases, a traditional packing slip may be unavailable, not applicable or redundant (for example, if a detailed invoice is provided along with the goods). In these instances, colleges and VP units may use alternate means to document what has been received. For goods, this might consist of a brief email or a notation on the invoice (for example, "Received 12/1/10 by...") from someone with direct knowledge of the transaction. For services, this might consist of a copy of a completed work order (such as those provided by an auto-repair shop).

Small-Dollar Transactions (\$75 or less): For purchases of goods and services costing \$75 or less, packing slips or similar receiving documentation are not required.

What should you do:

1. Request that all users in your unit submit packing slips, receipts and proof of receipt to the eReports Reconciler immediately upon receipt
2. The eReports Reconciler should go in monthly as they see items appear on the eReports and attach packing slips, receipt, proof of receipts to each eRequest for Internal goods/services.
3. In lieu of a packing slip the eReports Reconciler can document this with a comment on the eRequest.

What audit is looking for:

Proof that what we asked for and were charged for is what we actually received.



Purchasing and Expenditure Topics

Business Purposes for Transactions missing

Each transaction must be substantiated with payment documentation. That documentation needs to tell the story about the transaction.

Usually part of the Invoice or Receipt:

If this information is not clearly documented on the invoice or receipt, include it somewhere in your documentation.

- **Who** are you paying? - This should clearly outline the vendor and their contact information
- **What** are you buying? – Usually an invoice will itemize the purchased you made (2 pizzas, 3 sodas, etc.) but if it isn't clear, you need to document what was purchased or get something from the vendor.
- **When** are you buying? – An invoice or receipt should be dated

Additional Information Not on the Receipt:

- **Why** are you buying? – You need to buy apples and bananas and that shows on your receipt, but why do you need apples and bananas. Is it refreshments for a Master Gardener meeting? Is it decorations for an annual banquet? Is it a craft project for Jr. Camp?



Travel

Trip Pre Approval

Approval for university business travel and its estimated costs, must be documented prior to the trip and available for audit and review.

Method 1: Pre Trip T Number – Get T number prior to booking travel

- Via etravel.osu.edu
- Via Paper Travel Request Form:

<http://cfaesfinance.osu.edu/sites/cbo/files/imce/Forms/Travel%20RequestForm%202015.xls>

Work with your fiscal contact in your unit to see whether you should use the paper form or enter into eTravel.

A PreTrip T number is REQUIRED for all prepayments or planned PCard use

Method 2: Pre Approval via email

Email your approver prior to booking travel with the Trip details, Business Purpose, the org and fund (and project for OSP), estimated amount of the trip and the beginning and end date of travel

Attach approval email to Reimbursement Form post-trip

Use this method if your unit allows when prepayments and PCards are not going to be used for your trip.



Travel

Traveler Certification

If a traveler is Ohio State faculty or staff and the payment is a reimbursement or a cash advance, the traveler must electronically sign the payment request using the eTravel system.

- Terminated (without cause) faculty and staff and retirees have access to pending payment requests for 60 days to certify payment requests. This includes all employees, including faculty, staff, graduate students and student employees.
- Only Ohio State faculty and staff must electronically sign using the eTravel system. Students and guests must sign a paper form.

All electronic signatures and approvals will appear in the route log.

If a traveler does not sign electronically, a paper form must be printed and signed.

Travelers receive an email alerting them to a pending payment.

They click on the link.

Check the certification box, if applicable.

Only Ohio State faculty and staff who are electronically signing reimbursements or cash advances are required to check the certification box.

Click Approve.

After a payment request has been approved, it cannot be changed. See the Payment Requestor noted in the route log if changes are required.

To deny a payment request, click Deny. Comments should be added to explain the reason for denying the payment request. Payment will not be issued until all necessary approvals are made.

The Service Centers will look for physical signatures on submitted Travel Reimbursements for all non-employee travel.



Travel

Receipts/Documentation

An original, itemized receipt, eTicket, Internet receipt/statement or equivalent documentation is required for most travel transactions. Receipt must show the method of payment and indicate that payment was made.

Mileage log (including date, business purpose, odometer readings and destination) or other supporting documentation to document mileage distance of trip (e.g. MapQuest).

Rental Cars: Fully executed rental agreement signed by traveler indicating DW / CDW / LDW and Liability insurance. (must include the cost, dates and travel locations).

All original paperwork should be mailed to the appropriate service center for processing and routing.

CFAES Fiscal Office, Wooster
209 Research Services
1680 Madison Avenue
Wooster, Ohio 44691

CFAES Business Office, Columbus
Room 4 Agricultural Administration Building
2120 Fyffe Road, Columbus, Ohio 43210

Receipts need to show what you purchased:

Breakout of all hotel expenses, breakout of airfare vs. baggage fees vs. taxes, Rental car fees and insurances purchased.

Receipts need to show proof of payment:

Proof of payment includes payment method, balance due of zero and payment date

Receipts are not required for Per Diem and for some misc. business expenses under \$50 (ex. Parking, tolls, taxis)



Cash and Credit Card Handling

Extension Checking Accounts Segregation of Duties

Proper segregation of duties is a critical control element in an effective internal control structure. Proper segregation of duties establishes accountability and reduces the opportunity for inappropriate activities to occur without management detection. It is sometimes challenging for small offices with limited resources to maintain a control structure that ensures proper segregation of duties. In these instances, additional management review procedures or other functional controls may be substituted to mitigate the financial risks.

- Two people need to independently review the bank statement each month looking at deposits and then reconciling those to the incoming receipts ledger to verify that everything received was deposited. This reconciliation needs to be recorded on the bank statement (each person signs). Usually this is the support staff and the Unit Director, but could be two support staff if needed.
- Reconciling the deposits on the bank statements means physically adding up all incoming receipts (from the ledger) and verifying that the totals receive match the total deposited. Just looking at the deposit slips isn't enough verification.



Cash and Credit Card Handling

Deposits and Deposit Reconciliation

Cash is the University's most liquid asset and is highly susceptible to waste, theft, and embezzlement. The University requires units with cash handling operations to comply with policies and procedures designed to safeguard cash assets and to protect employees directly involved in cash handling.

Proper segregation of duties is a critical control element in an effective internal control structure. Proper segregation of duties establishes accountability and reduces the opportunity for inappropriate activities to occur without management detection. It is sometimes challenging for small offices with limited resources to maintain a control structure that ensures proper segregation of duties. In these instances, additional management review procedures or other functional controls may be substituted to mitigate the financial risks.

- Incoming cash and checks need to be deposited within 3 business days of receipt or whenever \$1,000 is received, whichever comes first.
- Incoming checks need to be stamped "For Deposit Only" immediately upon receipt, preferably with the account number of the bank to which you will be depositing.

Individuals who are responsible for performing or reviewing reconciliations of supporting bank deposit information to the general ledger cannot also have access to the cash (e.g., receive cash, access to the safe, prepare bank deposits, etc.).



Cash and Credit Card Handling

Credit Cards

Proper segregation of duties is a critical control element in an effective internal control structure. Proper segregation of duties establishes accountability and reduces the opportunity for inappropriate activities to occur without management detection.

Background checks for Potential Employees or Personnel Considered for Hire Departments must perform applicable background checks, within the limits of local law and in accordance with OSU Human Resource policy, on individuals considered for hire who will have access to systems, networks, or cardholder data. Background checks are not required if individuals will have access to one card number at a time such as store cashiers in a supervised setting. It is strongly recommended that any current employee or personnel who have access to more than one credit card number at a time have a background check within the limits of local law and in accordance with OSU Human Resource policy. PCI 12.7

Training Annually or upon Hire Any official, administrator, or affiliate with responsibilities for managing University cardholder transactions and employees or personnel entrusted with handling or processing cardholder payments must complete annual training. Please see the “Cardholder Data Processing Agreement and Annual Training Form”. IT Directors and designated staff must also comply with University Computing Security Standards. <http://ocio.osu.edu/policy/standards/security/> PCI 12.6.1

Segregation of Duties – individuals responsible for reviewing and reconciling credit card activity cannot also have access to credit card information and have the ability to process credit card transactions and/or refunds.

Background Checks – Background checks must be performed for employees or volunteers who have access to credit card systems, networks, or cardholder data.

Employee Certification – Employees and Volunteers involved in the credit card process must annually complete training and sign the *Cardholder Data Processing Agreement and Annual Training Form*.



General Ledger Topics

Control Over Employee Donations

The University recognizes and encourages charitable contributions by faculty and staff, members, including contributions designated to support programs and activities in their departments. Expenditure of these contributions remains subject to University control, and the donor (faculty/staff member) cannot have direct control or approval authority over the expenditure of his/her gift funds. This requirement is necessary to minimize the possibility that the IRS will question the charitable nature and deductibility of contributions to the University. In Private Letter Ruling 9405003, the IRS defines a charitable contribution as a “voluntary transfer of money or property that is made with no expectation of procuring a financial benefit commensurate with the amount of the transfer. In addition, a gift is not considered a contribution ‘to’ a charity if the facts show that the charity is merely a conduit to a particular person.”

Unit Approvers:

Unit approvers must seek preapproval for all transactions on funds to which they donate from their supervisors prior to making use of the funds.

This preapproval must be attached to all associated transaction detail (eRequest, eTravel, etc.)



Fund Use: Sponsored agreements entered into by the University that require a deliverable to the project sponsor, have effort requirements, or have other reporting requirements may be required to be processed and administered through the Office of Sponsored Programs. All philanthropic gifts and donations received by the University are required to be processed and managed by the Office of University Development. Other funding involving private grants and contracts with non-governmental organizations and foundations may be processed and managed by University departments. It is important that all funding be properly identified and categorized so that the funds can be recorded, managed, and reported in the manner that ensures appropriate stewardship and control and maximizes the benefits and protections for the donors, sponsors, and the University.

Use Funds per their intended use. Review before depositing revenue.

01XXXX General Funds – These are funds used by the University for primary budget dollars. Also used by OSP for transferring budgets, project overruns and project disallowed costs. This is also used for work-study students.

06XXXX General Unrestricted Funds (Designated Fund) For County Offices, this fund series should be used to deposit Local Checking Account funds that are deposited into the University to maintain appropriate balances in the local checking account. You may deposit registration fees, publication sales and speaking fees into this fund. For other offices, this fund series can be used for specialized funding sources.

1XXXXX Earnings and Conference Funds This fund series is to be used for conferences, large workshops or tax schools where the goal is to produce earnings. The fund is charged an overhead fee on deposits; this fee should be built into all registration fees. Primarily earnings from sales and registration fees from conferences will be deposited here. University overhead is charged at approximately 6%

2XXXXX Endowment Income Fund This fund series tracks revenue from a corresponding endowment fund 6XXXXX. The money in this fund can be spent according to the purpose of the endowment. There will not usually be deposits put in this fund.

2913xx 4-H Foundation Sub Funds – Units that receive a 4-H Foundation Grant will usually use a fund in this series. The money comes from the State 4-H Endowment and is transferred to this fund series after the expenses have been incurred.

3XXXXX and 4XXXXX Development Monetary gifts, separated for tax reporting purposes. Only gifts and gift-grants should be deposited in these funds. Doesn't show on the eReports for 180 Days.

50XXXX Private Grants and Contracts This series tracks revenue and expenses for money received on privately funded grants and contracts and cost recovery. You may deposit registration fees, publication sales, grants, contracts and speaking fees in this fund type.

5003XX and some 5004xx Commissioner Funds This is a sub series of the private grants and contracts funds. This series of funds is used to track revenue and expenses for Ohio County Commissioners funds. Only checks from the County Commissioners should be deposited here.

53XXXX and 55XXXX State Grants and Contracts This fund series tracks revenue and expenses for money received on state funded grants and contracts. Only checks from the State of Ohio should be deposited here.

56XXXX Federal Grants and Contracts This fund series tracks revenue and expenses for money received on federally funded grants and contracts. Only checks from the Federal Government should be deposited here.

59XXXX Office of Sponsored Programs Grants and Contracts This fund series is used with OSP Project numbers.

6XXXXX – Endowment Principal – This fund series is used to deposit money donated for the purpose of an endowment. This fund earns interest which is deposited yearly into the corresponding endowment income fund (2XXXXX). Endowment principal must have a minimum of \$50,000. Only gifts should go in this fund series.



Assistance

- **Finance Service Center Policies and Procedures**
<http://cfaesfinance.osu.edu/training>
 - These slides
 - This recorded presentation
 - MANY other training detailed training documents and videos
- **Finance Service Center Website**
 - <http://cfaesfinance.osu.edu>
 - Policy changes and updates to the website
 - Forms
 - Links
 - Resources
 - Contact information
- Finance Service Center Representative: <http://cfaesfinance.osu.edu/about-us>