



## OBJECTIVE

---

To ensure that university funds are used in a responsible and appropriate manner consistent with the university's mission, applicable law and ethical practice.

## POLICY

---

Applies to: Any and all employees of the university  
Issued: 10/2008  
Edited: 01/2009

### I. Overview

- A. As a major public institution, The Ohio State University is held to a high level of accountability for its business practices. Accordingly, every 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.
- B. At the core of this effort is a formalized system of internal controls designed to mitigate the risk of financial impropriety and any resulting damage to institutional reputation. As defined by the following Statement on Auditing Standards No. 1 (Section 320.09):

*"Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies"*

### II. Decentralization

- A. The university operates in a decentralized and internal control environment with the dean or vice president of each college or support unit responsible for the financial operations, budget, internal controls and monitoring activities of their area.
- B. Internal control requirements must be in place within each decentralized area in order to create an environment of accountability with effective monitoring and oversight.

### III. Internal Controls

- A. Internal controls are defined as the mechanisms that reduce the probability of errors and inappropriate transactions and formally establish accountability.



- B. In an effective financial control structure:
1. Segregation of duties is maintained when at least two people are involved in every transaction.
  2. Every transaction is approved for business purpose by individuals who have the business knowledge and authority to determine the appropriateness of the transaction without gratuitous influence or interference by the transaction initiator.
  3. Every transaction is approved for compliance by individuals who have received training on university business policies.
  4. University resources are protected against loss and unauthorized use or disposition.
  5. Financial data is reconciled in a timely manner.
  6. Approvers are held accountable for transactions approved.

## **PROCEDURE**

---

Applies to: Any and all employees of the university  
Issued: 10/2008

- I. Internal Control Structure
- A. Each operating unit is required to develop and maintain an Internal Control Structure document that has been formally approved by the appropriate dean or vice president and distributed to all employees within the unit who have responsibility for financial related functions or processes.
- B. Required components of the Internal Control Structure are:
1. Definition of process flow for payroll, procurement, revenue, cash receipts and other general ledger transactions including specification of required documentation and approvals. Process flows must provide for appropriate segregation of duties between transaction initiators and approvers as well as review and approval for business purpose and policy compliance. For areas that are too small to implement effective segregation of duties, functions should be aggregated across areas to ensure requirements are met.

2. Definition of roles and responsibilities of transaction approvers.
3. Description of procedures, roles and responsibilities related to custody over university resources, including equipment, inventories, cash receipts, petty cash and change funds, access to facilities, and other assets that are susceptible to theft or misuse.
4. Delegation of Signature Authority documentation approved by the dean or vice president, specifying for each area and each transaction type the individuals who are authorized to approve transactions.
5. Transaction reconciliation requirements for each transaction type.
6. Procedures for resolving discrepancies and escalating issues or concerns.

## II. Delegation of Signature Authority

- A. Each area is required to develop and maintain a Delegation of Signature Authority document, approved by the dean or vice president.
- B. This document specifies for each area and each transaction type the individual(s) who are authorized to approve transactions for business purpose and for compliance.
- C. Individuals should only be authorized to approve business purpose on transactions initiated by individuals for whom they have sufficient authority.

## III. Standard Language for Position Descriptions

- A. Standard language is intended to formally assign accountability for the establishment of internal controls within a decentralized operating environment.
- B. The following language is required in the Summary of Duties portion of position descriptions of all deans and vice presidents:

*“Responsible for establishment and maintenance of a financial and operational processing environment that is focused on appropriate internal controls. This should include, but not be limited to, appropriate segregation of duties in the processing of every financial transaction, appropriate mandatory approvals, appropriate procedures to maintain effective custody over university resources, appropriate monitoring and oversight and appropriate mandatory reconciliations.”*

- C. The following language is required in the Summary of Duties portion of position descriptions of all senior fiscal officers:

*“Responsible for oversight and maintenance of the established financial and operational processing environment to ensure adherence to established internal control structures. This should include, but not be limited to, appropriate segregation of duties in the processing of all financial transactions, appropriate mandatory approvals, appropriate procedures to maintain effective custody over university resources, appropriate monitoring and oversight and appropriate mandatory reconciliations.”*

- D. Expanded language, providing the specifics relative to the individual units, should then be included in the Duties and Responsibilities section of each position description for deans, vice presidents and senior fiscal officers. Typically, this language is part of the duties associated with the administrative components of these positions and should represent a significant portion of the position.

#### IV. Organization Structure Regarding Governance

- A. Each area is required to maintain a governance reporting structure that provides the senior fiscal officer with the appropriate level of authority to effectively oversee, maintain, and assess internal controls.
- B. At a minimum, each senior fiscal officer should have a reporting line responsibility directly to the dean or vice president of the area and should be formally assigned authority (straight line or dotted line) over all fiscal managers and personnel involved in the area’s internal control structure, including payroll processing controls.

#### V. Policy Compliance

Employees who have been delegated the authority and privilege to purchase approved goods and services on behalf of the university, approve human resources activity and/or maintain custody over university resources must agree to abide by all policies set forth by the university including (note: unless listed otherwise, all the policies can be found at <http://busfin.osu.edu/policies/>):

- Financial Code of Ethics;
- University Expenditure Policies as set forth by Purchasing and Accounts Payable policies and procedures;
- Procurement Card policies and mandatory requirements;



- Travel policies and mandatory requirements;
- Human Resources policies at <http://hr.osu.edu/policy/index.aspx>;
- Cash handling, petty cash and change fund policies;
- Equipment Policies.

#### VI. Monitoring and Oversight

- A. Internal Control systems are monitored through a process that assesses the quality of the system's performance over time.
- B. Ongoing monitoring and oversight should occur in the course of normal operations and includes regular management and supervisory activities.
- C. Adequate supervision of personnel and other monitoring activities are required to ensure the reliability of accounting and/or operational controls by pointing out errors, omissions and inconsistencies in the application of procedures.

#### **RESOURCES**

---

Ohio State, [Business and Finance Administration](#), 614-292-7970