



Applies to: All employees

Responsible Office

Office of Business and Finance

POLICY

Issued: 10/01/2008
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As a major public institution, The Ohio State University is held to a high level of accountability for its business practices. Every effort must be made by all employees to ensure that funds are used in a responsible and appropriate manner consistent with the university mission, applicable law, and ethical practice.

Purpose of the Policy

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

Definitions

Table with 2 columns: Term, Definition. Row 1: Internal control, Mechanisms that reduce the probability of errors and inappropriate transactions and formally establish accountability.

Policy Details

- I. Decentralization.
A. The university operates in a decentralized internal control environment...
B. Internal control requirements must be in place...
II. Internal controls - In an effective financial control structure:
A. Segregation of duties is maintained...
B. Every transaction is approved...
C. Every transaction is approved for compliance...
D. University resources are protected...
E. Financial data is reconciled...
F. Approvers are held accountable...
III. Internal control structure.
A. Each unit is required to develop and maintain an Internal Control Structure document...

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- 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.
- IV. Delegation of signature authority.
  - A. Each unit 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 unit 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.
- V. 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. This language is typically part of the duties associated with the administrative components of these positions and should represent a significant portion of the position.
- VI. Organization structure regarding governance.
  - A. Each unit 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. Each senior fiscal officer should have a reporting line responsibility directly to the dean or vice president and should be formally assigned authority (straight line or dotted line) over all fiscal managers and personnel involved in the unit’s internal control structure, including payroll processing controls.
- VII. Compliance.
  - A. 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

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must agree to abide by all policies and other governance documents set forth by the university ([policies.osu.edu/](http://policies.osu.edu/)) with special attention to:

1. Financial Code of Ethics [busfin.osu.edu/document/financial-code-ethics](http://busfin.osu.edu/document/financial-code-ethics);
2. Expenditure policies and requirements as set forth by Purchasing and Accounts Payable;
3. The PCard policy and related requirements;
4. The Travel policy and related requirements;
5. Human Resource policies;
6. Cash handling, petty cash, and change fund policies and related requirements;
7. Equipment policies and related requirements.

**VIII. 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.

**PROCEDURE**

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**Responsibilities**

Position or Office	Responsibilities
Dean/VP	<ol style="list-style-type: none"> <li>1. Be responsible for financial operations, budget, internal controls, and monitoring activities in your area.</li> <li>2. Approve unit Internal Control Structure document.</li> <li>3. Approve Delegation of Signature Authority document.</li> <li>4. Authorize only individuals to approve business purpose on transactions initiated by individuals for whom they have sufficient authority.</li> </ol>
Operating unit	<ol style="list-style-type: none"> <li>1. Develop and maintain an Internal Control Structure document.</li> <li>2. Distribute Internal Control Structure document to all employees within the unit how have responsibility for finance related functions or processes.</li> <li>3. Develop and maintain a Delegation of Signature Authority document.</li> <li>4. Maintain governance reporting structure providing the senior fiscal officer with appropriate level of authority.</li> <li>5. Include required language in position descriptions.</li> </ol>
Human Resources	Include required language in position descriptions.
Employees delegated authority	Abide by all university policies and other governance documents with special attention to those outlined in the policy.
Supervisors of employees delegated authority	<ol style="list-style-type: none"> <li>1. Supervise and monitor activities to ensure the reliability of accounting and/or operational controls.</li> <li>2. Hold approvers accountable for transactions approved.</li> </ol>

**Resources**

Financial Code of Ethics, [busfin.osu.edu/document/financial-code-ethics](http://busfin.osu.edu/document/financial-code-ethics)

University Policies, [policies.osu.edu/](http://policies.osu.edu/)

Asset Management, 4.21, [busfin.osu.edu/sites/default/files/421\\_assetmanagement.pdf](http://busfin.osu.edu/sites/default/files/421_assetmanagement.pdf)

Deposits - Cash and Checks, 5.12, [busfin.osu.edu/sites/default/files/512\\_depositsofcashandchecks.pdf](http://busfin.osu.edu/sites/default/files/512_depositsofcashandchecks.pdf)

Expenditures, 4.11, [busfin.osu.edu/sites/default/files/411\\_expenditures.pdf](http://busfin.osu.edu/sites/default/files/411_expenditures.pdf)



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Pcard 2.23, [busfin.osu.edu/sites/default/files/223\\_purchasingcard.pdf](https://busfin.osu.edu/sites/default/files/223_purchasingcard.pdf)

Petty Cash and Change Funds, 5.11, [busfin.osu.edu/sites/default/files/511\\_pettycashandchange.pdf](https://busfin.osu.edu/sites/default/files/511_pettycashandchange.pdf)

Purchasing, 2.21, [busfin.osu.edu/sites/default/files/221\\_purchasing.pdf](https://busfin.osu.edu/sites/default/files/221_purchasing.pdf)

Surplus Materials Disposal, 4.51, [busfin.osu.edu/sites/default/files/451\\_surplusmaterialsdisposal.pdf](https://busfin.osu.edu/sites/default/files/451_surplusmaterialsdisposal.pdf)

Travel, 2.11, [busfin.osu.edu/sites/default/files/211\\_travel.pdf](https://busfin.osu.edu/sites/default/files/211_travel.pdf)

**Contacts**

Subject	Office	Telephone	E-mail/URL
Policy questions	Office of Business and Finance	614-292-6220	<a href="https://busfin.osu.edu/controller">busfin.osu.edu/controller</a>

**History**

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