



Applies to: All faculty, staff, graduate associates, student employees, appointees, guests, volunteers, contractors, and suppliers

Responsible Office

Office of Business and Finance

POLICY

Issued: 10/01/2008

Revised: 01/07/2021 – Not in effect until [Workday](#) Finance and Supply Chain are implemented at Ohio State. For information only.

Current Policy: [Internal Controls](#)

As a major public institution, the university is held to a high level of accountability for its business practices. Every effort must be made to ensure that funds are used in a responsible and appropriate manner consistent with the university mission, applicable law, and ethical practice. As stewards of public funds, we have great responsibility to protect financial resources with wisdom and discipline; inspire ethical and prudent decision making; display courage and speak out on unethical or illegal behavior; and embrace the highest standards of fiscal stewardship and accountability. At the core of this effort is a formalized system of articulated roles and responsibilities, explicit approval authorities, and **internal controls** designed to mitigate the risk of financial impropriety and any resulting damage to the university’s reputation and public trust.

Purpose of the Policy

To promote the use of university funds in a responsible and appropriate manner consistent with the university mission, applicable law, and ethical practice.

Definitions

| Term | Definition |
|-----------------------|---|
| Business purpose | Written statement that explains the reason/justification behind the action being taken or the transaction being made. Must include details of the action/transaction (who, what, when) and how/why the action/transaction benefits the mission of the university/unit. When applicable, must include attendee list (name, affiliation, title) and other supporting documentation. |
| Exception | Any violation of or noncompliance with a university policy issued by the Office of Business and Finance (Business and Finance). |
| Internal controls | Mechanisms that reduce the probability of errors and inappropriate transactions and formally establish accountability. “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.” Statement on Auditing Standards No. 1 (Section 320.09) |
| Requestor | Individual initiating the transaction or who has delegated the authority to initiate transactions on their behalf. |
| Senior fiscal officer | Individual who is responsible and accountable for all fiscal operations of a unit. |
| Unit | College or administrative unit. |
| Unit leader | Head of college or administrative unit (e.g., dean, senior vice president, president, provost). |
| Waiver | Permission granted to a unit to operate differently than specified or required by a university policy issued by Business and Finance. |

Policy Details

I. Accountability



Applies to: Faculty, staff, graduate associates, student employees, appointees, guests, volunteers, contractors, and suppliers

- A. The university seeks to ensure efficiency and promote fiscal accountability when performing any financial transactions, using any university resources, preparing financial reports, and accepting funds.
 - B. All financial transactions must comply with all university policies, requirements, standards, rules, and established financial systems and processes.
- II. Leader and Manager Commitment to Stewardship Values
- A. Leaders and managers must create a culture that demonstrates a strong commitment to caring for and managing financial resources in compliance with university policy, applicable law, and ethical practice.
 - B. Leaders and managers must model ethical behavior, honesty, integrity, openness, and transparency, in all matters of fiscal stewardship and care of university resources.
 - C. Leaders and managers must support all individuals in their **units** to speak out and/or report questionable or potentially unethical or illegal behavior.
 - D. Leaders and managers must model strong commitment to efficient and effective use of resources, avoiding waste and consumption of resources that do not contribute to the university/unit mission whenever possible.
- III. Decentralization
- A. The university operates in a decentralized internal control environment with each **unit leader** and **senior fiscal officer** being accountable for the budget, financial operations, fiscal stewardship, internal controls, and monitoring of fiscal activities in their unit.
 - B. Internal controls must be in place in each unit to create an environment of accountability with effective monitoring and oversight.
 - C. Each unit leader and senior fiscal officer must provide leadership in all fiscal areas, encouraging fiscal stewardship at all levels and through all unit functions, and encouraging that all parties comply with all university policies.
 - D. Each unit leader and senior fiscal officer must take proactive and corrective steps to ensure that:
 - 1. **Requestors** are held accountable for transactions requested,
 - 2. **Approvers** are held accountable for transactions approved, and
 - 3. **Agreements** that bind the university to an outside party receive appropriate review.
- IV. Requirements for a Financial Internal Control Structure
- A. The unit leader and senior fiscal officer are responsible for the establishment and maintenance of the financial internal control structure; requirements are listed in B through G below.
 - B. Segregation of duties must be maintained:
 - 1. At least two people must be involved in every transaction; and
 - 2. Individuals cannot approve transactions involving themselves, their family members (as defined in the [Nepotism 1.25 policy](#)), nor those of individuals to whom they report.
 - C. Review and assessment of financial statements, reconciliations, adjustments to financials, financial performance, and fiscal stability must occur on a monthly basis.
 - D. Transactions must be reviewed for:
 - 1. **Business purpose** by individuals who have the business knowledge and authority to determine the appropriateness of the transaction without influence or interference by the requestor;
 - 2. Fiscal appropriateness, budgetary concerns, and accounting treatment; and
 - 3. Compliance with policies, requirements, standards, rules, and applicable laws and regulations.
 - E. University resources must be protected against theft, loss, unauthorized use, and improper disposition.
 - F. Required training must be completed.
 - G. Individuals must have the requisite knowledge and skill sets to perform assigned functions.



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PROCEDURE

Issued: 10/01/2008

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I. Financial Internal Control Structure

- A. Each unit must establish and maintain an internal control structure, using the [Internal Control Structure Template](#) as a guide. The unit's internal control structure must be reviewed and approved by the **unit leader** and senior fiscal officer on an annual basis. The senior fiscal officer is responsible for facilitating this annual review and approval process.
 1. The senior fiscal officer must review, approve, and distribute the unit's Internal Control Structure document to individuals with financial responsibilities within the unit annually.
- B. The required components of the Internal Control Structure are:
 1. Definition of process flow for cash receipts, assets, liabilities, expenses, revenue, and other general ledger transactions including specifying required documentation and approvals.
 - a. Process flows must provide for appropriate segregation of duties between transaction requestors and approvers as well as review and approval for business purpose and policy compliance.
 - b. For areas that are too small to implement effective segregation of duties, functions must be combined 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 cash receipts, facility access, inventory, outgoing cash and cash alternatives, trackable assets, and other items susceptible to theft or misuse.
 4. Process for resolving discrepancies and escalating issues or concerns.
 5. Process for follow up/corrective action regarding intentional and accidental policy violations.
 6. Delegation of Signature Authority. See Procedure II below.
 7. Notation of areas in which the unit deviates from standard policies, processes, or systems.

II. Delegation of Signature Authority Structure

- A. Each unit must establish and maintain a unit Delegation of Signature Authority Structure that is approved by the unit leader and senior fiscal officer and that follows the [Standard Delegation of Signature Authority Structure](#). The unit's Delegation of Signature Authority Structure must be updated annually or when changes are necessary. The senior fiscal officer is responsible for facilitating this review and approval process.
 1. Deviations from the [Standard Delegation of Signature Authority Structure](#) must be submitted by the senior fiscal officer in advance and approved annually using the [Business and Finance Policy Waiver Request](#). See Procedure X below.
- B. Each unit's Delegation of Signature Authority Structure must specify for each business area/department and each transaction type the individuals who are authorized to approve transactions for appropriateness, budget availability, business purpose, compliance, and correct Workday data.
- C. Individuals must only be authorized to approve the business purpose on transactions initiated by individuals for whom they have fiscal authority, as identified in the unit's Delegation of Signature Authority.

III. Contract/Agreement Requirements

- A. All contracts/agreements must be:
 1. Compliant with all university policies, rules, and applicable laws and regulations;
 2. Reviewed by the Office of Legal Affairs when the authority to obtain signature without legal review has not been delegated and when the arrangement binds the university with an outside party;
 3. Signed by the Office of Business and Finance or an individual with formally designated contract signature authority from the senior vice president for business and finance and chief financial officer; and



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4. Properly vetted by the department and unit with an emphasis on clearly articulating the deal terms to align with the needs of the department or unit. It is the responsibility of department and unit leaders to seek assistance if needed.

IV. Annual Sub-Certification

- A. Each unit must annually certify that it complies with the requirements outlined in the annual sub-certification process, managed by the Controller's Office. If a unit is not in compliance, the unit must identify specific plans to resolve its noncompliance. The senior fiscal officer is responsible for facilitating this process.
- B. Business and Finance annually reviews and reports on the annual sub-certification process to the Audit and Compliance Committee of the Board of Trustees.

V. Roles and Responsibilities: Standard Language for Position Descriptions

- A. All position descriptions for deans, vice presidents, and senior fiscal officers must include standard language that formally assigns fiscal accountability and responsibility for the establishment and maintenance of internal controls. The HR business partner must ensure that this standard language is included in such position descriptions as set forth below.
- B. The following language, as may be updated from time to time by Business and Finance, is required in the Summary of Duties portion of position descriptions of all deans and vice presidents: "Responsible for leading by example as a thoughtful, ethical, and disciplined steward of financial resources. Responsible for establishment and maintenance of a financial and operational processing environment that is focused on appropriate internal controls. This must include, but not be limited to, appropriate: segregation of duties in the processing of every financial transaction, mandatory approvals, procedures to maintain effective custody over university resources, monitoring and oversight, and mandatory reconciliations."
- C. The following language, as may be updated occasionally by Business and Finance, is required in the Summary of Duties portion of position descriptions of all senior fiscal officers: "Responsible for leading by example as a thoughtful, ethical, and disciplined steward of financial resources. Responsible for oversight, maintenance, and improvement of the established financial and operational processing environment to ensure adherence to established internal control structures. This must include, but not be limited to, appropriate: segregation of duties in the processing of all financial transactions, mandatory approvals, procedures to maintain effective custody over university resources, monitoring and oversight, and mandatory reconciliations."
- D. Expanded language, providing specific details relative to individual units, must 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 description.

VI. Organization Structure Regarding Governance

- A. Each unit must 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 unit leader and must be formally assigned authority (straight line or dotted line) over all fiscal managers and personnel involved in the unit's internal control structure.
- C. Each senior fiscal officer must have a dotted line to the vice president of financial operations.

VII. Compliance

- A. Individuals who have been delegated the authority and privilege to purchase approved goods and services on behalf of the university, approve human resource activity, and/or maintain custody over university resources must abide by all applicable laws and regulations and all policies, rules, requirements, standards, and other governance documents set forth by the university.
- B. Individuals must adhere to the university's [Financial Code of Ethics](#) and the [Ohio Ethics Law](#).



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VIII. Monitoring and Oversight

A. Unit and department management must:

1. Monitor internal control systems through a process that assesses the quality of the system’s performance over time in collaboration with the senior fiscal officer.
2. Engage in ongoing monitoring and oversight of fiscal operations and processes in the course of normal operations and include in regular management and supervisory activities.
3. Supervise personnel with fiscal duties and responsibilities and engage in other monitoring activities to ensure the reliability of accounting and/or operational controls, including providing regular feedback on errors, inconsistencies, and omissions in the application of procedures. Such feedback should be given verbally and in written form throughout the year and summarized in the annual performance evaluation.

IX. Tracking **Exceptions** to University Policies Issued by Business and Finance

A. Any policy violation that occurs must be tracked as an exception and managed as follows:

1. Flag the issue in Workday;
2. Generate a report on at least a monthly basis; and
3. The senior fiscal officer must acknowledge, address, and document errors on a monthly basis, with special attention to repetitive errors, and ensure that supervisors are holding individuals accountable.

X. Waivers to this policy must be approved in advance and documented by the Office of Business and Finance, using the [Business and Finance University Policy Waiver Request](#).

XI. Policy Violations

- A. All policy violations must be tracked as an exception in accordance with Procedure IX above.
- B. The university may require successful completion of training.
- C. The university may enforce corrective action, up to and including termination, in accordance with applicable policies or rules.
- D. The university may seek restitution, as appropriate.
- E. Criminal charges may be filed, as appropriate.

Responsibilities

| Position or Office | Responsibilities |
|--------------------------------------|--|
| HR business partner | Ensure that standard language is included in position descriptions as identified in Procedure V – Roles and Responsibilities: Standard Language for Position Descriptions. |
| Individuals | Adhere to the university’s Financial Code of Ethics and the Ohio Ethics Law. |
| Individuals with delegated authority | Abide by all applicable laws and regulations and all policies, rules, requirements, standards, and other governance documents set forth by the university. |
| Leaders and managers | <ol style="list-style-type: none"> 1. Create a culture that demonstrates a strong commitment to caring for and managing financial resources. 2. Model ethical behavior, honest, integrity, openness, and transparency. 3. Support individuals to speak out and/or report questionable or potentially unethical or illegal behavior. 4. Model strong commitment to efficient and effective use of resources, avoiding waste and consumption of resources. |
| Office of Business and Finance | <ol style="list-style-type: none"> 1. Sign contracts/agreements as appropriate. 2. Review and report on the annual sub-certification process to the Audit and Compliance Committee. |
| Office of Legal Affairs | Review contracts/agreements as appropriate. |
| Senior fiscal officer | <ol style="list-style-type: none"> 1. Be accountable for the budget, financial operations, fiscal stewardship, internal controls, and monitoring of fiscal activities in the unit. 2. Provide leadership in all fiscal areas, encouraging fiscal stewardship at all levels and through all unit functions, and encouraging all parties to comply with all university policies. |



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| Position or Office | Responsibilities |
|--------------------------------|--|
| | <ol style="list-style-type: none"> 3. Take proactive steps to ensure requestors are held accountable for transactions requested, approvers are held accountable for transactions approved, and agreements that bind the university to an outside party receive appropriate review. 4. Establish and maintain the financial internal control structure. 5. Facilitate the unit's internal control structure annual review and approval process. 6. Review and approve the unit's internal control structure on an annual basis. 7. Distribute the unit's Internal Control Structure document to individuals with financial responsibilities in the unit on an annual basis. 8. Facilitate the unit's Delegation of Signature Authority Structure annual review and approval process. 9. Submit a policy waiver request annually when deviating from the Standard Delegation of Signature Authority Structure. 10. Monitor internal control systems through a process that assesses the quality of the system's performance over time in collaboration with unit and department management. 11. Acknowledge, address, and document policy violations/errors on a monthly basis, with special attention to repetitive errors; ensure that supervisors are holding individuals accountable. |
| Unit | <ol style="list-style-type: none"> 1. Establish and maintain an internal control structure using the Business and Finance Internal Control Structure as a guide. 2. Establish and maintain a unit Delegation of Signature Authority Structure that is approved by the unit leader and senior fiscal officer and that follows the Standard Delegation of Signature Authority Structure. 3. Annually certify that the unit complies with requirements outlined in the annual sub-certification process when requested. 4. Maintain a governance reporting structure that provides the senior fiscal officer with appropriate level of authority as identified in Procedure VI – Organization structure regarding governance. |
| Unit and department management | <ol style="list-style-type: none"> 1. Monitor internal control systems through a process that assesses the quality of the system's performance over time in collaboration with the senior fiscal officer. 2. Monitor and oversee fiscal operations/processes in the course of normal operations and include in regular management and supervisory activities. 3. Supervise personnel with fiscal duties and responsibilities and engage in other monitoring activities to ensure the reliability of accounting and/or operational controls, including providing regular feedback. |
| Unit leader | <ol style="list-style-type: none"> 1. Be accountable for the budget, financial operations, fiscal stewardship, internal controls, and monitoring of fiscal activities in the unit. 2. Provide leadership in all fiscal areas, encouraging fiscal stewardship at all levels and through all unit functions, and encouraging all parties to comply with all university policies. 3. Take proactive steps to ensure requestors are held accountable for transactions requested, approvers are held accountable for transactions approved, and agreements that bind the university to an outside party receive appropriate review. 4. Establish and maintain the financial internal control structure. 5. Review and approve the unit's internal control structure on an annual basis. |
| Unit/department | Properly vet contracts/agreements. |

Resources

Internal Control Structure Template, busfin.osu.edu/sites/default/files/internal-control-structure-template.pdf

Business and Finance Policies and Forms Website, busfin.osu.edu/policies-forms

Business and Finance University Policy Waiver Request, docusign.net/Member/PowerFormSigning.aspx?PowerFormId=fd68959a-4afb-48bb-a0ae-67521b9ad821&env=na1&acct=387d1013-fb1c-4705-9bd9-7cf575f484ce&v=2

Financial Code of Ethics, busfin.osu.edu/document/financial-code-ethics

Standard Delegation of Signature Authority Structure, busfin.osu.edu/sites/default/files/standard-delegation-of-authority-structure.pdf

Ohio Ethics Commission, ethics.ohio.gov/education/overview.html

Having an unlawful interest in a public contract, ORC §2921.42, codes.ohio.gov/orc/2921.42

Representation by present or former public official or employee prohibited, ORC Chapter 102, codes.ohio.gov/orc/102.03

Soliciting or accepting improper compensation, ORC §2921.43, codes.ohio.gov/orc/2921.43



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Contacts

| Subject | Office | Telephone | E-mail/URL |
|---------------------------|---|--------------|--|
| Policy questions | Controller's Office, Office of Business and Finance | 614-292-6220 | busfin.osu.edu/controller |
| Contract/agreement review | Office of Legal Affairs | 614-292-0611 | legal.osu.edu/ |

History

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