

The Ohio State University

College of Arts and Sciences (ASC) – 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 obligation to the many groups who provide funding and Generally Accepted Accounting Principles. Because the University operates on a decentralized basis, it delegates this stewardship responsibility to its academic and academic support 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 purchase approved goods and services on behalf of the University and/or approve human resources activity must agree to abide by:

- Financial Code of Ethics: http://www.busfin.ohio-state.edu/FileStore/PDFs/190_FinancialCodeOfEthics.pdf
- OSU Expenditure Policy: http://busfin.osu.edu/FileStore/PDFs/411_Expenditures.pdf
- OSU Purchasing and Travel Card policies: http://www.busfin.ohio-state.edu/FileStore/PDFs/223_PurchasingCard.pdf
- OSU Human Resources policies: <http://hr.osu.edu/policy/index.aspx>
- OSU Cash handling, petty cash and change fund policies: http://www.treasurer.ohio-state.edu/PDFs/cash_handling_Manual.pdf
- OSU Equipment policies: http://busfin.osu.edu/FileStore/PDFs/421_AssetManagement.pdf
- Additional policies and training requirements set forth by Business & Finance: <http://busfin.osu.edu/policies/default.aspx>)

The ASC Internal Control Structure document further addresses this stewardship obligation.

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

Separation 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 edit or initiate transactions
- A system of checks and balances exist

Model

The merger of five legacy ASC colleges and the creation of the Arts and Sciences Business Services Center (BSC) provide a new model for internal controls within the College of Arts and Sciences. Each operating unit (e.g. department, center) continues to initiate 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 for initiation and approval (e.g. PeopleSoft) is restricted to only BSC staff for those functions managed within the BSC. A detailed description of controls for each function is described below.

The Ohio State University

College of Arts and Sciences (ASC) – Internal Control Structure

Signature Authority

The Executive Dean of ASC delegates authority and responsibility for financial and human resources activity approvals to the chief administrative officer, human resource director and finance directors for college level organizations, to the divisional deans for division level organizations and to the chairs/directors of the operating unit organizations (i.e. departments, centers). Transaction approvals are further delegated via department/center Signature Authority documents.

All transactions, regardless of dollar amount, require approval for both business purpose and compliance. Staff members who have been delegated signature authority (an approver role) must:

- Hold a position that allows independent thinking and exercise of judgment
- Have 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 that they approve
- Be restricted from approving transactions involving themselves

Approvers are responsible for reviewing documentation and supporting information to verify validity of transactions. All approvers will be held accountable for the transactions they have approved. Operating unit areas are encouraged to build back-up initiators/approvers into their Signature Authority documents.

Human Resources

Timekeeping – BSC Service Center is using e-Time and e-Leave to ensure time and leave is entered and certifications have been completed by employees and supervisors; back-up approver roles are granted by ASC Administrative Services. The BSC Service Center will investigate unconfirmed acknowledgements and ensure high exceptions timekeeping errors are resolved in Peoplesoft.

Position Data – Operating units initiate and provide unit-level approval for position data transactions utilizing the HR Action system. ASC Administrative Services provides college-level approval for position data activity.

Job Data - Operating units are responsible for ensuring job data transactions have supporting documentation and are approved in HR action request. ASC Administrative Services approves all job data requests in HR Action request, with the exception of those Job Data entries which do not require final approval in HRA such as supervisor id changes. The BSC Service Center enters all approved transactions into Peoplesoft and verifies that supporting documentation is attached.

Additional Pay – Operating units initiate and provide unit-level approval for additional pay utilizing HR action request. ASC Administrative Services approves all additional pay and the BSC Service Center reviews for business purpose and policies Additional Pay transactions prior to submitting to payroll. The unit is responsible to ensure final approved additional pays are marked send to paycheck and any discrepancies between the approved amount and the service center amount are documented.

Reconciliation – Operating units are responsible for reviewing their HRL Reconciliation Reports to ensure that the correct personnel are being paid and the correct chartfields have been used. Units are responsible for enter Direct Retro Distribution requests in to the HR Action system to resolve any issues.

Procurement

ASC uses the university's electronic tools (e.g. eRequest, eTravel) for purchasing transactions including procurement, payment requests, travel and PCards. Operating units have responsibility for initiating purchasing transactions using the tools and for approval of business purpose and budget availability. ASC Administrative Services reviews the request for policy compliance. PeopleSoft initiation and approval are restricted to ASC Administrative Services, and access is assigned such that staff that are able to initiate transactions are not also able to approve those same transactions.

Purchasing and Travel Card – ASC authorizes the use of PCards and Travel Cards within operating units. Requests for use of PCard is done using the eRequest tool and approved in the operating units. Reallocation and approval of PCard transactions are done in the BSC.

Travel – Operating units are responsible for arranging travel in accordance with University and OSP policy.

The Ohio State University
College of Arts and Sciences (ASC) – Internal Control Structure

General Ledger

Responsibility for initiating journal entries and budget/fund transfers and deposits is shared between operating units and ASC Administrative Services.

Approval of Executives' Expenses

All expenditures, reimbursements and travel requests and reimbursements for the executive dean are routed to the provost's office for approval. All expenditures, reimbursements and travel requests and reimbursement for the division deans must be approved by the executive dean. All expenditures, reimbursement and travel requests and reimbursement for department chairs/center directors must be approved by the division dean or others as delegated by the Signature Authority documents.

Approval of Alcohol Purchases

The executive dean, chief administrative officer, division deans or finance directors review/approve alcohol expenditures in accordance with established University policy.

Sub-Certification/Stewardship Checklist

ASC annually requires each chair/director to sign off on an Internal Controls acknowledgement statement. The statement, which delineates the sixteen sub-certification areas specified by the University, is meant to underscore the responsibility that each operating unit has.

Accountability and Issue Resolution

Any issues or concerns related to compliance with University policy, ASC policy, the Internal Control Structure or the procedures associated with administrative business processes may be brought to the attention of the chief administrative officer or chief human resources officer. Individuals who feel threatened or pressured to approve a document/transaction that they believe is inappropriate should apply the process for reporting financial errors described below.

Process for Reporting Wrongful Financial Conduct

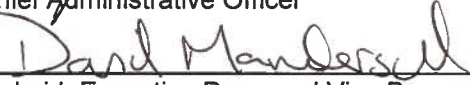
The ASC reporting process for wrongful financial conduct is designed to complement the more formal HR Whistleblower Policy (<http://hr.osu.edu/Policy/policy140.pdf>) that is meant to apply to situations involving "wrongful conduct" (as defined in the policy).

Faculty, staff and others who become aware of any wrongful financial conduct within the ASC that they feel is significant are encouraged to report them through the appropriate channels to ensure that the integrity of financial information within the ASC is maintained at the highest level possible. In most instances, a problem is easiest to resolve when it is addressed at its origination point. However, in some cases the person reporting a problem may feel more comfortable speaking to someone at a higher level. Any of the following options are available to report wrongful financial conduct:

1. Management personnel in the operating unit (e.g. supervisor, department manager or chair/director)
2. ASC Administrative Services contact
3. Chief administrative officer or chief human resources officer
4. University HR Whistleblower mechanisms

APPROVALS:

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