

The Ohio State University Office of Business and Finance Internal Controls Structure

Background

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:

- The Ohio State University's Accountable Plan and Expenditure Policy as set forth by Purchasing and Accounts Payable as referenced at www.ctlr.ohio-state.edu/webhelp/Financial_Policies.htm;
- Purchasing and Travel Card policies and mandatory requirements as referenced at <http://purchasing.osu.edu/pcard/>;
- Travel policies as referenced at <http://busops.osu.edu/travel.php>;
- Human Resources policies as referenced at <http://hr.osu.edu/policy/index.aspx>;
- Additional policies set forth by the Office of Business and Finance.

The Office of Business and Finance's Internal Controls Structure document further addresses this stewardship obligation.

Model

Delegation of Signature Authority documents from Business and Finance's ten areas have been approved by the Senior Vice President of Business and Finance. These ten areas are:

- Business and Finance Admin
- Business Operations
- Facilities Operations and Development
- Internal Audit
- Office of the Chief Investment Officer
- Office of the Controller
- Office of the Treasurer
- Public Safety
- Resource Planning
- Resource Management Systems

The procurement, general ledger and human resources processes for these nine areas are administered by the Business and Finance Administrative Service Center with two satellite centers for some transaction types in Facilities Operations and Development and Business Operations. The operational requirements of each of these service centers are described below.

Procurement

Each business area will have staff assigned responsibility for initiating purchasing transactions. In addition, responsibility for approval of business purpose and appropriateness is delegated to management staff within each area. The Business and Finance Administrative Services Center will then review transactions for compliance to ensure they are in accordance with University and Business and Finance policy and to provide an independent assessment of appropriateness. The procurement transactions process flow along with the roles and responsibilities of the Business and Finance Administrative Services Center are documented in Attachment A. Procurement systems access and security must be assigned and business processes engineered so that staff that are able to initiate transactions are not also able to approve those same types of transactions.

Transactions and documentation to be routed to the Business and Finance Administrative Services Center include:

- Procurement Card Transactions, Travel Reimbursements, Payment Requests and Inter-Departmental Billings (100Ws) for all areas.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

- Requisitions, Purchase Orders and PO Vouchers for all areas except for Business Operations and Facilities Operations and Development
- Requisitions, Purchase Orders and Vouchers with dollar values greater than \$25,000 initiated by Business Operations and Facilities Operations and Development will route through the central Service Center for approval. These transactions with dollar values less than \$25,000 will be routed through the satellite service centers in these two areas. Furthermore, these transactions for Facilities Operations and Development Capital Projects will be routed through the FOD service center and not through the central Service Center.
- Documentation for transactions will be retained in the service center responsible for transaction approval.

General Ledger

Each business area will have staff assigned responsibility for initiating journal entries and budget/fund transfers. In addition, responsibility for approval of business purpose and appropriateness is delegated to management staff within each area. The Business and Finance Administrative Services Center will then review transactions for compliance to ensure they are in accordance with University and Business and Finance policy and to provide an independent assessment of appropriateness. General Ledger access and security must be assigned and business processes engineered so that staff that are able to initiate transactions are not also able to approve those same types of transactions.

Transactions to be routed to the Business and Finance Administrative Services Center include:

- Journal Entries, GFSA Transfers, PBA Transfers and Fund Transfers for all areas except Facilities Operations and Development Capital Projects which will route through the FOD service center instead.

Human Resources

The Business and Finance Administrative Services Center will review all human resources transactions for compliance, appropriateness and reasonableness with the exception of timekeeping transactions. As with procurement, satellite service centers will be established in Business Operations and Facilities Operations and Development. The human resource transactions process flow along with the roles and responsibilities of the Business and Finance Administrative Services Center are documented in Attachment B. Specific human resources transactions will be processed as follows:

Payroll Certification – Each business area is responsible for obtaining certification of the accuracy of payroll activity from staff supervisors each pay period using the Pay364os-Pay Check Distribution Report. The Business and Finance Administrative Services Center will review the Pay364os reports on a monthly basis to ensure certification is occurring within a timely manner.

Timekeeping - All timekeeping entry and approval will be retained in the business area. The central Service Center will provide periodic after the fact review of timekeeping entries, including overtime and comp time. System timekeeping roles for entry and approval must be assigned to separate individuals.

Additional Pay - The business areas will be responsible for Additional Pay entry for their respective areas. The business area will complete an Additional Pay form with an authorized signature that will then be forwarded to the Business and Finance Administrative Services Center for approval. System additional pay roles for entry and approval must be assigned to separate individuals.

Position Data and Job Openings– Entry of position data and job openings will be assigned to staff in the individual business areas. Each area will have staff assigned the departmental approval role for position data and job openings. The central Service Center will provide College level approval for all position data activity and job openings.

Hires - Offers need to be pre-approved by the Business and Finance Administrative Services Center if the salary does not fall within the position target salary range or if additional compensation beyond salary will be offered (i.e. relocation expenses, bonuses). Normal promotions up to 10% do not require BFSC pre-approval.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

Job Data – Each business area is responsible for entering personal data, emergency contact data and identification data. For Job Data, the business area will complete a Job Data form with an authorized signature that will then be forwarded to the Business and Finance Administrative Services Center for approval. After approval, the satellite service centers in Business Operations and Facility Operations and Development will be responsible for Job Data entry.

Reconciliation - Each business area is responsible for reviewing their HR/GL Reconciliation Reports on a monthly basis to ensure that the correct personnel are being paid, the correct chartfields are being used and to verify fluctuations in pay. The Business and Finance Administrative Services Center will routinely review the reconciliation documents within the business areas to ensure reconciliation and fluctuation analysis is occurring within a timely manner.

Approvals

Delegation of Signature authority documentation, approved by the Senior Vice President, must be in place for all areas. 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 or editing the system transactions that they approve;
- be restricted from approving their own transactions.

Approvers are responsible for reviewing documentation and supporting information to verify validity of transaction. All approvers will be held accountable for the transactions they have approved.

Business areas must notify the B&F Senior Fiscal Officer and B&F Administrative Services Center Director when temporary transfer of approval authority is required to facilitate ongoing business during absences.

Approval of AVP Expenses

All expenditures, reimbursements and travel requests for B&F Assistant Vice Presidents and Associate Vice Presidents must be approved by the Senior Vice President of Business and Finance or designee. In addition, payroll certification for B&F Assistant Vice Presidents and Associate Vice Presidents must be completed by the Senior Vice President of Business and Finance or designee.

Accountability and Issue Resolution

Any issues or concerns related to compliance with University policy, Business and Finance policy, the Business and Finance Internal Control Structure or the procedures associated with administrative business processes should be brought to the attention of the Business and Finance Senior Fiscal Officer.

Three instances of failure to comply with established policies and procedures will result in revocation of the initiator or approver access. Fraudulent use or misuse of a purchasing mechanism will result in immediate revocation of the initiator or approver access. The University will seek personal restitution for any inappropriate charges and corrective action may also include termination and/or possible criminal prosecution.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

APPROVALS:

_____ **DATE:** _____
Senior Vice President, Business and Finance

_____ **DATE:** _____
Senior Fiscal Officer, Business and Finance

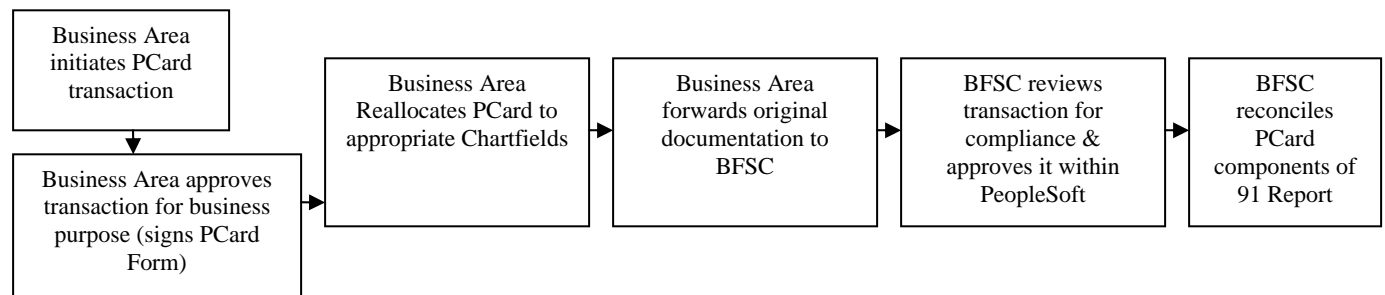
_____ **DATE:** _____
Director, Business and Finance Administrative Service Center

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

ATTACHMENT A: B&F Service Center Procurement Process Flows

The following outlines our approach to achieving an effective internal controls structure for procurement transactions for entities falling under the Office of Business and Finance. In response to the requirement to have every procurement transaction approved for both compliance and appropriateness by people who know the rules, understand the business and have the authority to say "No", the Office of Business and Finance is proposing the following business process changes. The business areas will continue to initiate, review and approve procurement transactions for business purpose and appropriateness. The Business & Finance Service Center will then review the transaction for compliance to ensure it is following University policy. The following roles and responsibilities will be necessary in order to implement the Business and Finance Service Center for its initial purpose: Procurement Transaction Review and Approval.

Purchasing and Travel Card

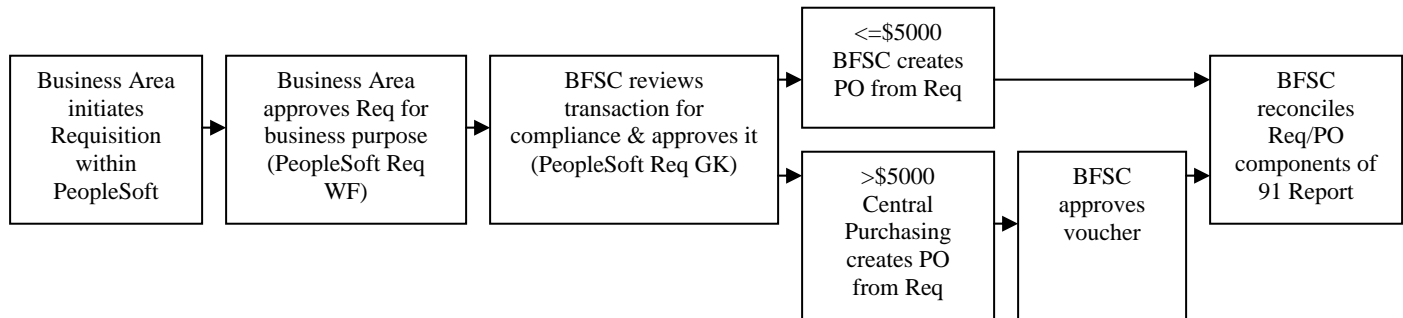


Purchasing and Travel Card Compliance Review and Approval (BFSC)

- Review/Approve B&F Purchasing and Travel Card transactions within 30 days of the next month.
- Confirm that all itemized receipts were received.
- Confirm that the Purchasing and Travel Card Transaction Form was properly filled out, signed by the purchaser and approved for business purpose by a business area approver with signature authority.
- Confirm that the purchase follows University Procurement Card and Expenditure policy.
- Confirm appropriateness of the transaction.
- Approve/Not Approve Purchasing and Travel Card transaction within PeopleSoft.
- Ghost Travel PCards will also be reviewed by the service center, but review will be limited to basic checks.
- Review 91 Report to ensure only approved transactions have been processed.
- Reconcile Bank Statements to PCard transactions on a monthly basis; therefore business areas need to forward original PCard Bank Statements to the BFSC.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

Requisition/Purchase Order



Requisition/Purchase Order Compliance Review and Approval (BFSC)

- Review/Approve B&F requisitions/PO's to ensure that purchases follow University Expenditure Policy.
- Confirm appropriateness of the transaction.
- Approve/Deny Requisition within PeopleSoft.
- Due to transaction volume, initially FOD's and Business Operations' requisitions will only workflow to the service center for approval if they are greater than \$25,000.

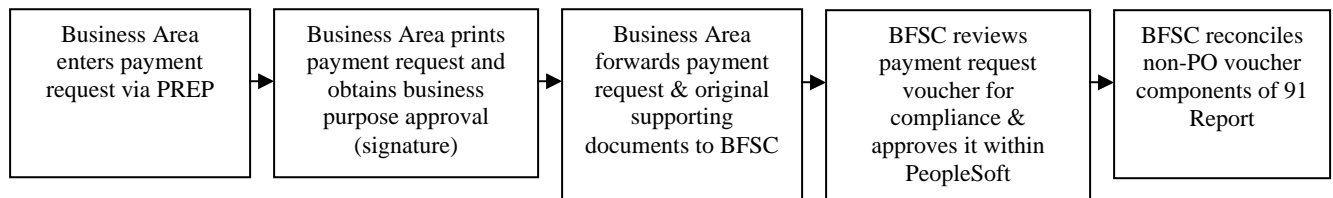
Purchase Order Creation (BFSC)

- Perform Requisition Select process to create PO's for requisitions <= \$5000.

Report Reconciliation (BFSC)

- Review 91 Report to ensure only approved transactions have been processed.

Payment Requests (Non-PO Vouchers)

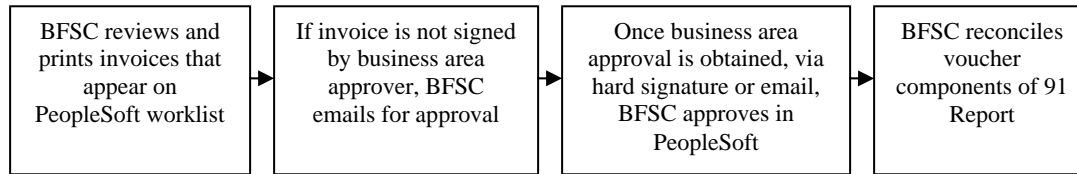


Payment Request Compliance Review and Approval (BFSC)

- Review/Approve B&F payment request vouchers to ensure they follow University Expenditure Policy.
- Confirm that all itemized receipts were received.
- Confirm that payment request was properly filled out and signed by a business area approver with signature authority.
- Confirm appropriateness of the transaction.
- Approve/Deny voucher within PeopleSoft.
- Review 91 Report to ensure only approved transactions have been processed.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

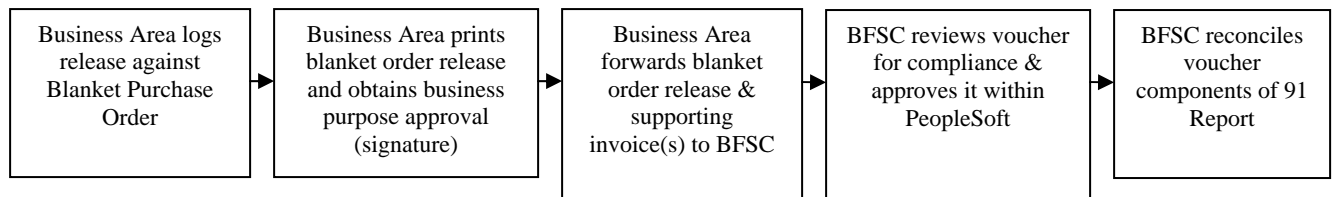
Vouchers (Line Item PO)



Voucher (Line Item PO) Compliance Review and Approval (BFSC)

- Review/Approve B&F vouchers to ensure they follow University Expenditure Policy.
- Confirm that goods or services were received.
- Confirm that invoice was signed (or approved via email) by a business area approver with signature authority.
- Confirm appropriateness of the transaction.
- Approve/Deny voucher within PeopleSoft.
- Review 91 Report to ensure only approved transactions have been processed.

Vouchers (Blanket PO)

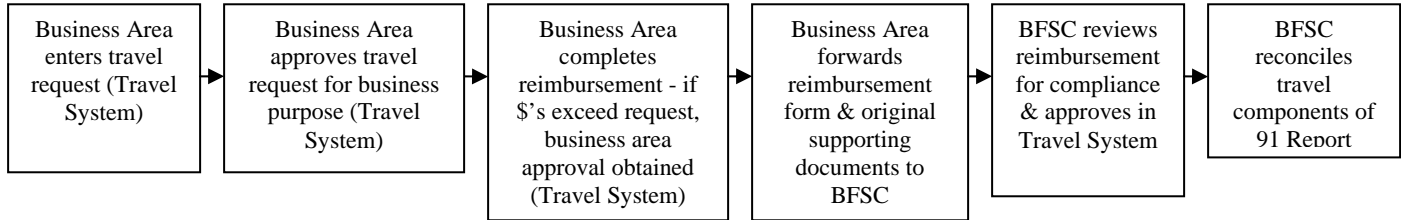


Voucher (Blanket PO) Compliance Review and Approval (BFSC)

- Review/Approve B&F vouchers to ensure they follow University Expenditure Policy.
- Confirm that goods or services were received.
- Confirm that blanket order release log was signed (or approved via email) by a business area approver with signature authority.
- Confirm appropriateness of the transaction.
- Approve/Deny voucher within PeopleSoft.
- Review 91 Report to ensure only approved transactions have been processed.

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

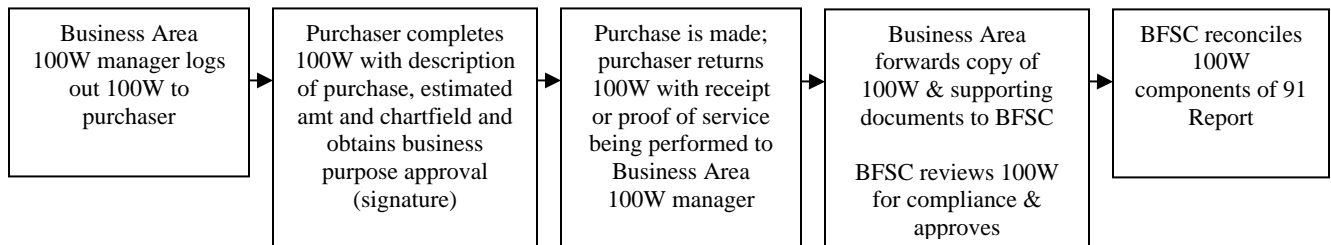
Travel Reimbursements



Travel Reimbursement Compliance Review and Approval (BFSC)

- Review/Approve B&F Travel reimbursements to ensure they follow University Travel and Expenditure Policy.
- Confirm that all itemized receipts were received.
- Confirm that the Reimbursement was properly completed and signed by the traveler and if the reimbursement amount exceeds the original travel request amount, a business area approver with signature authority.
- Confirm appropriateness of the transaction.
- Approve travel reimbursements within the Travel system.
- Review 91 Report to ensure only approved transactions have been processed.

100W's



100W Compliance Review and Approval (Business Area)

- Business Area purchasing card managers also control the 100W logs.
- 100W must be logged out with the 100W manager (log states business reason for use of 100W, date, name of purchaser and 100W#).
- Purchaser completes 100W with description of the planned purchase, estimated dollar amount, and chartfield and obtains business area approval (signature from someone with approval authority).
- After the purchase, the purchaser returns detailed receipts (or if not available, then proof of service being completed) and remaining copies of the 100W to 100W manager.
- 100W is forwarded to B&F Service Center.

100W Compliance Review and Approval (BFSC)

- Confirm that 100W was properly filled out and signed by a business area approver with signature authority.
- Confirm appropriateness of the transaction.
- Confirm receipt or proof of service is attached to the 100W.
- Review 91 Report to ensure only approved transactions have been processed.

ATTACHMENT B: B&F Service Center Human Resources Process Flows

The following outlines our approach to achieving an effective internal control structure for human resources transactions for entities falling under the Office of Business and Finance. The Business and Finance Service Center will review all human resources transactions for compliance and appropriateness with the exception of timekeeping. Job data entry will only be performed by the service centers: the Business and Finance Service Center or the satellite service centers (Business Operations or Facilities Operations and Development). Additional pay for all areas will be approved by the Business and Finance Service Center. The following roles and responsibilities will be necessary in order to integrate the Business and Finance Service Center (BFSC) into the Human Resources Review and Approval Process.

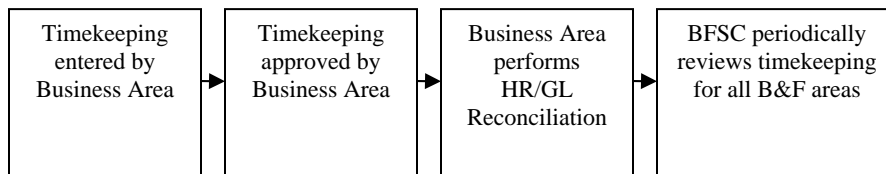
Payroll Certification



Payroll Certification Compliance Review and Approval

- All pay periods with pay dates within any given month must be certified by the business areas within 30 days of the end of that month. The Pay364os – Pay Check Distribution Report is used to certify payroll. Certifying managers/supervisors are validating that the listed employees were employees of the unit and were eligible for pay. Certification must be formally documented.
- BFSC will review payroll certification for all of the business areas to ensure that payroll is being certified in a timely and appropriate manner. BFSC will retain the original payroll certification reports.

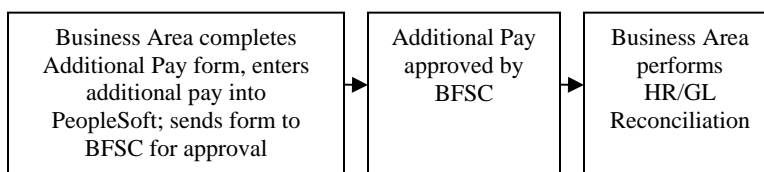
Timekeeping



Timekeeping Compliance Review and Approval

- Business Area timekeeping entry and timekeeping approval are performed by separate people.
- Business Areas are to reconcile HR transactions to the General Ledger on a monthly basis to ensure correct personnel are being paid and the correct chartfields have been used.
- BFSC will periodically perform an after-the-fact review of timekeeping to ensure that transactions are compliant. This will include a review of overtime and comp time.

Additional Pay

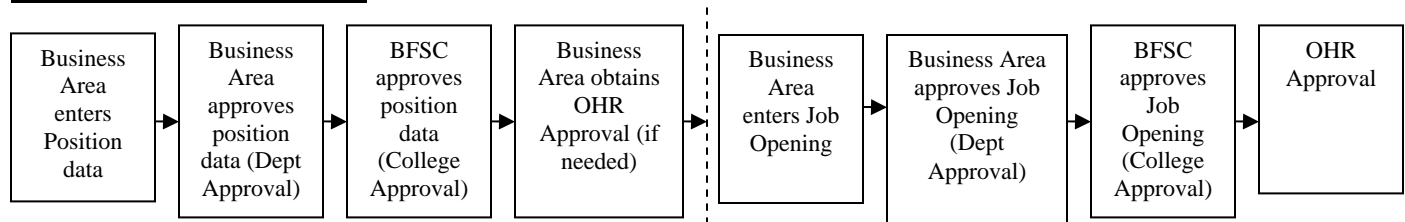


Additional Pay Compliance Review and Approval

**The Ohio State University
Office of Business and Finance
Internal Controls Structure**

- Business Area enters additional pay along with completing an Additional Pay form with authorized signature. Business Area emails scanned copy of form to BFSC.
- Additional Pay reviewed for compliance and appropriateness and approved by BFSC.
- Business Areas are to reconcile HR transactions to the General Ledger on a monthly basis to ensure correct personnel are being paid and the correct chartfields have been used.

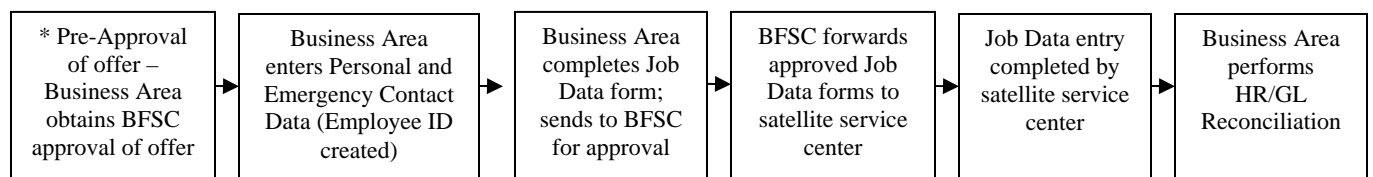
Position Data/Job Openings



Position Data/Job Openings Compliance Review and Approval

- Business Area enters and approves (Dept level) position data and job openings. Business Area completes Position Data/Job Opening Form with authorized signature and emails scanned copy of form to BFSC.
- Position Data and Job Opening reviewed for compliance and appropriateness and approved by BFSC.
- Business Area obtains OHR approval on Position Data (when needed).

Hires and Job Data Changes



Job Data Compliance Review and Approval

- Business Area obtains BFSC pre-approval of offer (prior to offer letter going out to candidate) if the salary does not fall within the position target salary range or if additional compensation beyond salary will be offered (i.e. relocation expenses, bonuses). Note: Normal promotions up to 10% do not require BFSC pre-approval.
- Business Area will enter Personal Data, Emergency Contact Data and Identification Data.
- If Job Data entry needs to be completed (for hires or any other changes in Job Data), the Business Areas will complete a Job Data form, obtain authorized signature and email a scanned copy of the form to the BFSC.
- Job Data reviewed for reasonableness and compliance (i.e. salary guidelines, mid-year increases, targeted salary ranges, B&F equity, etc.) and approved by BFSC.
- Business Areas are to reconcile HR transactions to the General Ledger on a monthly basis to ensure correct personnel are being paid and the correct chartfields have been used.