

Andrew Young School of Policy Studies

Internal Controls Policy

August 28, 2013

The following Andrew Young School of Policy Studies (AYSPS) Internal Controls Policy (IPC) is in compliance with the procedures set forth via:

- President's June 2, 2003 IPC memo (pdf)
  - President's March 3, 2005 IPC memo (pdf)
  - AYSPS College Financial Officer's (CFO) July 8, 2003 email (pdf) and expenditure review documentation options which include: Expenditure Review Ledger (pdf and available as downloadable Excel file), Expenditure Review Form for sponsored and non-sponsored speedtypes (pdf and available as downloadable Word file), GSU Expenditure Review Certification Form (pdf and available on the GSU website).
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- 1) The AYSPS Dean is ultimately responsible and accountable to ensure the implementation and maintenance of the University's Internal Controls.
- 2) AYSPS Department Chairs and Center Directors are responsible to ensure effective internal controls are in place within their own Departments and Centers.
  - a) Formerly designate in writing those individuals in your units authorized to initiate and approve financial transactions on your behalf, e.g. Spectrum transactions, Panther Mart transactions, Personnel Action Forms (PAF), P-card purchases, etc.
  - b) Be sure that initiators of financial transactions are not also approvers as these duties need to be separated.
  - c) Individuals designated to be approvers should have sufficient knowledge to determine the business integrity of the transactions being approved.
  - d) Forward a copy of your unit's list of those authorized to initiate and approve financial transactions to the AYSPS CFO.
  - e) Ensure individuals in your units assigned financial responsibilities have the financial responsibility duties spelled out in job descriptions and that they are evaluated accordingly.
  - f) Conduct periodic expenditure reviews of your unit's FC 10XXX and sponsored grant accounts. The purpose of these reviews is to insure recorded expenses are valid and to promptly detect any irregularities.
    - i) Review your unit's FC 10XXX monthly.
    - ii) Review your unit's sponsored grants either monthly or quarterly.
    - iii) Document your unit's expenditure reviews as to:

- (1) When accomplished.
  - (2) Areas reviewed.
  - (3) Persons performing the review.
  - (4) The outcome.
- iv) The Georgia State University Auditing and Advisory Services Office will be conducting periodic spot checks to insure these reviews are being accomplished.
  - g) Emphasize to your employees not to exchange passwords or inappropriately sign documents for others.
- 3) The university continues to explore and refine the procedures needed to use to minimize our exposure to fraud and misappropriation. A program of instructions is available on the GSU website at [Expenditure Review Online Training](#).
  - 4) These internal controls responsibilities are to be taken seriously to ensure we safeguard the resources entrusted to us.

# Attachment 1

33 Gilmer Street SE Unit 3  
Atlanta, GA 30303-3083  
Phone: 404/651-2560  
Fax: 404/651-3386



## Memo

**To:** Vice Presidents and Deans  
**From:** Carl V. Patton *Carl Patton*  
**Date:** 6/02/03  
**Re:** Internal Controls

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I am writing to request your assistance on a very important matter. During the past few months, we have conducted a study of the Georgia State University internal control structure and identified areas of weakness that may put the institution at financial and legal risk. The presentation by our Acting Director of University Auditing and Advisory Services brought home the risk levels we all face. This memorandum will address those areas where the university is most vulnerable and where your help is needed.

Responsibility and accountability for implementing and maintaining internal controls in our decentralized environment resides with the Deans and Vice Presidents. Although the Deans and Vice Presidents can delegate approval and review activities to administrative officers and other appropriate employees, the ultimate responsibility cannot be delegated. It is therefore important that you ensure that appropriate levels of approval and review are being performed within your college or division. Staff of the Division of Finance and Administration and University Auditing and Advisory Services are available to assist in this process.

Let me review the primary control issues:

### 1. Review of Expenditures

Expenditure review is an area needing continuing attention. Because of financial risk exposure, department financial managers should review expenditures (including payroll charges) for each account within their area of responsibility. This internal control requires that Deans and Vice Presidents take the necessary steps to ensure that such reviews are being performed and documented on a timely basis. Job descriptions and performance evaluations should clearly identify these responsibilities for persons to whom you delegate budgetary management.

## 2. Payroll Expenditures.

Payroll expenditures represent over 60% of the University's budget and are where the University is most vulnerable to loss. Please emphasize within your college/division the importance of submitting payroll forms on a timely basis. As an added safety net, the Payroll office will begin developing reports that will allow departments to periodically verify all active employees on payroll.

## 3. Expenditure Approvals.

One of the principles of Internal Control is segregation of duties. Changes were made last September to strengthen controls over the approvals of requisitions, vouchers and journal entries in the Spectrum system. Additional improvements will be made. All transactions, whether to add someone to payroll or purchase goods from a vendor, must be approved by someone who is knowledgeable about the transaction and can verify the business integrity of the transaction. That individual will be held accountable for the integrity of expenditures they approve. Please ensure that a person other than the initiator of the payment request approves all expenditures.

## 4. Approvals and Passwords.

It appears that some individuals are allowing others to use their passwords or sign their name to approve transactions. This is a dangerous practice that circumvents the established controls described above. Deans and Vice Presidents should communicate to their units that password sharing is prohibited by university policies and people will be personally responsible for all activities conducted with their password or under their authorized signature.

## 5. Student Assistant Hiring

A recent payroll audit highlighted the need to carefully review the hiring of student assistants. We must make sure that all employees hired as student assistants are currently enrolled in classes to qualify as such for FICA tax purposes. I request your assistance in performing this verification at the start of each semester.

## 6. Other concerns

In this era of increased public scrutiny over corporate and governmental expenditures, it is particularly important that we take appropriate steps to ensure that university property is used only for university business. Within your units, you should establish procedures to ensure that sensitive areas such as long distance telephone usage and off-campus equipment permits are being carefully monitored.

The Division of Finance and Administration will be providing additional information to help you meet these important responsibilities. If you see any way in which we can improve these procedures or have identified other areas of concern, please let us know.

I appreciate your attention to these concerns.

cc: Department Heads  
Spectrum Users

**Mailing Address:**  
P.O. Box 3999  
Atlanta, GA 30302-3999

**In Person:**  
Alumni Hall, Suite 300  
30 Courtland Street  
Atlanta GA 30303

Phone: 404/651-2560  
Fax: 404/651-3386



## Memo

**To:** Vice Presidents and Deans  
**From:** Carl V. Patton *Carl Patton*  
**Date:** March 3, 2005  
**Re:** Internal Controls

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Strengthening internal controls to reduce financial and legal risks is a high priority across the University System of Georgia. In the past two years, procedural enhancements have greatly improved these controls at Georgia State University. However, continued diligence is needed to sustain them in a large, decentralized organization like ours.

First and foremost, responsibility and accountability for implementing and maintaining internal controls resides with the Deans and Vice Presidents. While you can delegate approval and review activities to administrative officers and others as appropriate, ultimate responsibility for internal controls cannot be delegated. Managing our resources demands sound controls over expenditures, assets, and other aspects of our operations.

### Controls over Expenditures

One of the primary principles of internal control is segregation of duties. Specifically, no one person should have complete control over any transaction from initiation to completion. Appropriate expenditure approval and review are vital control elements.

#### Expenditure Approval

Each transaction, whether to add someone to payroll, purchase goods from a vendor, or receive reimbursement, must be approved by at least a second individual who can verify the business integrity of the transaction and will be held accountable for expenditures approved.

To ensure authenticity, University policy prohibits sharing system passwords or allowing others to sign one's name or use a signature stamp to approve transactions. Every individual is responsible for actions authorized by his or her password or signature.

#### Expenditure Review

Financial managers must review expenditures, including payroll, in the Spectrum financial system for all accounts in their areas. Reviews should be performed and documented on a monthly basis, and job descriptions and performance evaluations should clearly identify these responsibilities.

Payroll expenditures represent over 60% of the University's budget and a significant vulnerability to loss. It is particularly important that colleges and divisions submit payroll forms promptly for processing to reduce the risk of payroll overpayments. The primary purpose for reviewing payroll expenditures is for colleges and divisions to verify that payroll payments are for active employees only, that terminated employees are removed from the payroll system, and that student assistants are currently enrolled.

### **Furniture and Equipment Controls**

The University has procedures to ensure compliance with state regulations for identifying and tracking furniture and equipment purchases. Maintaining accurate records depends on colleges and divisions reporting disposals and changes in location of these assets. Each year, the University conducts an annual inventory of equipment. Although the vast majority of equipment is located, the number and dollar value of unlocated items is too high. Colleges and divisions should have designated property coordinators who understand and comply with applicable procedures.

### **Purchase Card Usage**

Although the Purchase Card is a convenient, cost effective tool for procuring small dollar goods and services, the ease of use also increases the potential for misuse. This increased risk means that Auditors focus significant attention on purchases made with the Purchase Card and are holding the University to an extremely high level of compliance. To mitigate the risk of abuse, the University has comprehensive training and procedures applicable to the Purchase Card. Although the overwhelming majority of purchases made with the card comply with policies and procedures, auditors continue to identify some transactions that do not. I am asking that you emphasize within your colleges and divisions the particular importance of compliance in this area.

### **Other Concerns and Controls**

In this era of increased public scrutiny over corporate and governmental expenditures, taking appropriate steps to ensure that university property and resources are used only for university business is particularly important. Within your units, you should establish procedures to ensure that sensitive areas such as long distance telephone usage, cell phone usage, and off-campus equipment permits are being carefully monitored.

In closing, I want to emphasize that the Division of Finance and Administration and University Auditing and Advisory Services are available to assist you in maintaining and improving internal controls. Finance and Administration and Auditing also have partnered with others throughout the University to develop an on-line expenditure review training program for employees with budget/financial management responsibility. I encourage all appropriate individuals in your colleges and divisions to complete this program. It takes about an hour and is available on the Finance and Administration homepage: [www.gsu.edu/finance](http://www.gsu.edu/finance). Additionally, Auditing offers Fraud Awareness and Fraud and Abuse presentations, either of which they will make at your unit upon request.

I appreciate your attention to these concerns.

cc: Department Heads  
Spectrum Users

## Attachment 2

**From:** David Sandt  
**To:** Angela Todd; Caroline Griffin; Cindy Clark; Dorie Taylor; Douglas Greenwell; Frances James; Jennifer Kreidler; Kenneth Slade; Marva Griffin; Patricia Alexander; Paul Benson; Sally Fowler; Sue Fagan  
**Date:** 7/8/03 12:10PM  
**Subject:** Internal Controls for Financial Transactions

Attached is memo from Carl Patton on internal controls that I'm sure you have already seen. The memo challenges us to intensify the scrutiny of expenditures and tighten up on the approval process to preclude inappropriate or invalid financial transactions from occurring.

One of the measures needed for enhanced internal control is a periodic review of both 10-fund and 20-fund(sponsored) financial expenditures. While most of you already perform expenditure reviews, it is now necessary to "document" that the reviews have been performed. In order to comply with Carl Patton's direction, recommend each activity maintain a ledger that will serve as a record of accomplished reviews. An example of an Expenditure Review Ledger is provided as attachment 2. How frequently reviews are performed can vary. Expenditures from 10-fund activities ought to be accomplished monthly. The review of sponsored expenditures can be done monthly or quarterly depending on the volume and nature of expenditures. The "Type Funds Reviewed" on the ledger should reflect the appropriate speedtype inspected. Like your P-card purchase logs, University Auditing and Advisory Services plans on inspecting an annual sample of documented records of expenditure reviews to insure compliance with Carl Patton's direction.

In performing your reviews, you should validate all personnel expenditures made against your speedtype accounts. In particular, please make sure each student assistant charged is a valid charge and the charges reconcile to timesheets submitted to Human Resources. You should also review non-personnel expenditures looking for questionable or inappropriate transactions contained in telephone, express mail, and other supply expenses.

In addition to your expenditure review, you should periodically review your financial process focusing on:

- a. Appropriate Spectrum approval levels have been established. Initiators and inputers of transactions cannot also be approvers.
- b. Insure passwords are not being exchanged and compromised.
- c. Insure job descriptions and performance evaluations include assigned financial responsibilities.
- d. Establish clear lines of approval on financial transactions(PAF's/Fee-Based forms/Travel Expense Statements/Timesheets/etc).

Separate guidance on protecting and safeguarding our furniture and equipment will be issued shortly. If you have questions about financial internal control measures, please send them to me. Thanks.

David

**CC:** David Sjoquist; Deborah McCarty; Deon Locklin; Grady Cornish; James Alm; Jorge Martinez; Karen Minyard; Lloyd G. Nigro; Paula Stephan; prccmp; Robert Moore; Ron Cummings; Roy Bahl





Department Name:

Speedtype/Chartfield:

Fiscal Year: 2014

Report findings for: July 2013

Organization Budget Lines	Issues/Comments	Actions Taken/Pending Action Needed/ Follow-up Dates
PSF000(Faculty)		
PSS000(Staff)		
PLS000(Summer Faculty)		
PLG000(Graduate Assistants)		
PLP000(Part-Time Instructors)		
PLM000(Miscellaneous Lump)		
TR0000(Travel)		
SP0000(Supplies)		
EQ0000(Equipment)		
Additional Comments/Notes:		
Date Submitted to BA on:		
Budget Approver:	<b>Department Chair/Director signature below indicates s/he has reviewed the findings and agrees with the expenditures review.</b>	<b>Comments:</b>
Budget Approver:	<b>Department Chair/Director signature below indicates s/he has reviewed the findings and disagrees with the expenditures.</b>	<b>Comments:</b>

Department Name:

Speedtype/Chartfield:

Fiscal Year: 2014

Report findings for: July 2013

<b>Organization Budget Lines</b>	<b>Issues/Comments</b>	<b>Actions Taken/Pending Action Needed/ Follow-up Dates</b>
PSF000(Faculty)		
PSS000(Staff)		
PLS000(Summer Faculty)		
PLG000(Graduate Assistants)		
PLP000(Part-Time Instructors)		
PLM000(Miscellaneous Lump)		
FBB000(Fringe Benefits)		
NTR0000(Travel)		
NSP0000(Supplies)		
NCON (Consult/Other Professional Fees)		
SUBXXX (All Subcontracts)		
NST000 (Stipend Fellow Participant)		
NEQ0000(Equipment)		
NXR000 (Transfers)		

Department Name:

Speedtype/Chartfield:

Fiscal Year: 2014

Report findings for: July 2013

IDC (Indirect Cost)		
Additional Comments/Notes:		
Date Submitted to BA on:		
Budget Approver:	<b>PI's signature below indicates s/he has reviewed the findings and agrees with the expenditures review.</b>	<b>Comments:</b>
Budget Approver:	<b>PI's signature below indicates s/he has reviewed the findings and disagrees with the expenditures.</b>	<b>Comments:</b>

**Georgia State University  
Expenditure Review Certification Form**

Financial Statement Controls

Departmental Key Controls

Department Name: \_\_\_\_\_ SpeedType: \_\_\_\_\_

Key Control: <u>G/L Summary Review</u>				
	Print Name	Sign	Date	Control Description
July	_____	_____	_____	Compare budget to actual summary Spectrum reports
Aug	_____	_____	_____	
Sept	_____	_____	_____	
Oct	_____	_____	_____	Determine if totals agree with expectations
Nov	_____	_____	_____	Investigate any unexplained variances and adjust budget if necessary
Dec	_____	_____	_____	
Jan	_____	_____	_____	
Feb	_____	_____	_____	Review all accounts, speedtypes, projects, etc. that reside in your department. This also applies to the G/L Transaction Verification Review. Make sure that you maintain a detailed updated listing of the accounts, etc. that you reviewed.
Mar	_____	_____	_____	
Apr	_____	_____	_____	
May	_____	_____	_____	
June	_____	_____	_____	

Key Control: <u>G/L Transaction (Expenditure and other) Verification Review</u>				
	Print Name	Sign	Date	Control Description
July	_____	_____	_____	Department performs monthly review of the G/L transaction detail (Spectrum Drill Down Reports) for general propriety and accuracy, including cash deposits, procurement card purchases, payments against PO's, and express vouchers.
Aug	_____	_____	_____	
Sept	_____	_____	_____	
Oct	_____	_____	_____	Department follows-up on unusual items including verifying amounts to supporting documentation and resolving exceptions.
Nov	_____	_____	_____	
Dec	_____	_____	_____	
Jan	_____	_____	_____	Note: Requisitions and PO's are reviewed and approved at the department level. Invoices must be approved by the department responsible for the purchase. This control is documented at the purchasing/accounts payable department level.
Feb	_____	_____	_____	
Mar	_____	_____	_____	
Apr	_____	_____	_____	
May	_____	_____	_____	
June	_____	_____	_____	

Key Control: <u>Payroll Expense Review</u>				
	Print Name	Sign	Date	Control Description
July	_____	_____	_____	Department reviews the detailed payroll expenses each month for general propriety and to validate the accuracy of the charges.
Aug	_____	_____	_____	
Sept	_____	_____	_____	
Oct	_____	_____	_____	For example, departments verify if employee is still employed, review the accuracy of employee names and pay rates, and/or for possible other key entry errors
Nov	_____	_____	_____	
Dec	_____	_____	_____	
Jan	_____	_____	_____	Note: If applicable, departments need to review and approve effort reports in a timely manner. The reports have to be reviewed by a responsible official with first hand knowledge of the work performed. Departments are responsible for distributing, verifying, and maintaining these records.
Feb	_____	_____	_____	
Mar	_____	_____	_____	
Apr	_____	_____	_____	
May	_____	_____	_____	
June	_____	_____	_____	

**NOTE:** These key controls are not the only controls that departments need to monitor. Other controls exist for governance and regulatory compliance. These are the key controls identified for the preparation of the financial statements and are subject to review under SAS 112.