INTERNAL CONTROL GUIDANCE: FISCAL

I.   Accuracy of Financial Records

Description of Risk: If errors are made in official Institute financial records, and go undetected, the Institute could be exposed to legal risk and adverse publicity.

Criteria: Basic requirements for recording and reporting financial activities have been established in the Board of Regents' Business Procedures Manual (BPM), Section 1.0: Accounting Principles and Definitions. Based on this and other pertinent instructions, the Institute has developed policies and procedures designed to record its financial activities into project ledgers. Although not specifically stated in Institute policy, it is the campus unit that is responsible for establishing these ledger projects and seeing that their entire unit's accounting records are recorded there. Good business practices suggest that campus units ensure that their Institute reports and ledgers are reasonably stated and free of error that could potentially cause legal liability and negative publicity at the Institute.

Auditor's Overview: Campus units must be aware of Institute project ledgers and where their budgets, revenues, expenditures and other accounting data are recorded. Many employees, both in and outside the unit, will be recording information to these projects. Nevertheless, it is the unit's responsibility to periodically review these records. The unit should verify that differences and discrepancies have been identified, reported, and corrected, so that Institute records accurately show the financial condition of the unit.

Best Practices:
1. Designate an individual with the responsibility of identifying unit accounts
2. Develop and document internal policies and procedures
3. Ensure segregation of duties exist
4. Reconcile unit accounts
5. Supervisory oversight

Process
RESPONSIBILITY, DELEGATION, and COMMUNICATION
The unit head has the ultimate responsibility for ensuring the accuracy of all unit account balances. *Delegating the oversight for this activity does not relieve the unit head of the responsibility for the accuracy and reliability of the unit's financial records.*

The first step is for the individual delegated the oversight for this activity is to have a reasonable understanding of how Institute, sponsored, State, and other applicable policies and procedures affect the unit's operation. It is this person who is responsible for preparing internal policies and procedures that satisfy all the criteria required by these entities. As a part of developing internal policies and procedures, this individual should ensure a complete listing of project numbers for the unit is identified and validated. This person will assign, and ensure appropriate training of, personnel to accomplish the unit's objectives. This person will make the necessary adjustments and management decisions to temporarily change or alter policy and procedures, such as might be

needed when hiring new, untrained employees. Finally, it is this person who will generally enforce policy and procedure adherence among all involved employees.

The level of complexity and number of projects often dictates how many employees are assigned responsibility for assuring the accuracy of the unit's financial records. In larger units, this responsibility may well be separated into sponsored projects, foundation projects, and State/other projects. Further, there may well be duplicate responsibilities over multiple units. For example, principal investigators have general responsibility for the integrity of their sponsored projects, but units will typically have a separate business employee monitoring all sponsored project accounting. Further, both the Institute and Georgia Tech Research Corporation perform their own monitoring of sponsoring activities, designed to complement and reinforce the units' efforts. In this environment, it is essential that the unit documents how it will perform this function.

GOOD INTERNAL POLICIES AND PROCEDURES

Policies and procedures to reasonably ensure the reliability and accuracy of a unit's financial records must be an integral part of overall unit financial activity policies and procedures. The level of detail and complexity will vary based on the number of employees involved in recording project activity, the number of projects, the sources and amount of funding, and external assistance or influences directly affecting unit activities. These policies should provide references to Institute policies as a minimum. These procedures should inform personnel what they are responsible for, what other employees are responsible for, the general timing of events, how errors and corrections will be addressed, and when they will be expected to have completed their assigned duties.

SEPARATION OF DUTIES

Ideally, unit personnel charged with verifying the reliability of its accounting records should not have the ability to post transactions to those accounts. Other, compensating controls must be in place if this condition is present. For example, in the case of sponsored projects above, since the principal investigator has access (and responsibility) for directing the financial activities posted to his/her project, then another employee, with no ability to initiate any project activity, should be reviewing the project's activity on a regular basis.

Related Issues:
1. Foundation Accounts: This section addresses Institute projects. Many units also maintain accounting records that do not go through, or are not covered by, Institute rules. The primary example is Georgia Tech Foundation accounts. While Georgia Tech usually establishes a corresponding/related Institute account to be used for expending Foundation monies, this is not always the case. Even if this Institute account is established, some expenditures may be paid directly by the Foundation, and not be recorded in the Institute's account. In these and all other cases where the unit has the responsibility for ensuring the accuracy and reliability of its non-Institute accounting records, we strongly advise that the unit adopt the same, or similar, standards as presented above.

2. Record Retention: Most original source documents to support the accounting information in the unit's Institute project records are still the responsibility of OHR, Budgets, Payroll, and other Business Office units. Campus units are more frequently being called-upon to

retain these original records. Units should include information in their internal policies that informs unit staff members of the applicable rules and regulations for their unit.

II. Sponsored Programs

Description of Risk: Improper administration of sponsored contracts could cause disallowance of costs, refusal of sponsors to award future contracts, and negative publicity for Institute.

Criteria: OMB Circular A-21 and the Institute's Grants and Contracts Policy and Procedures, at http://www.policylibrary.gatech.edu/business-finance/grants-contracts-accounting, require that academic units be responsible for the reasonable and accurate reporting of their sponsored expenditures. [Note: Federal Acquisition Regulation (FAR) 31.2 and Georgia Tech Research Institute's (GTRI) Policies and Procedures provide similar guidance for GTRI expenditures. Although this section addresses Institute sponsored activities, the same principles apply to GTRI activities.]

Auditor's Overview: This section addresses how the unit should be involved in the oversight of sponsored accounts. Actions discussed here are in addition to general steps taken to verify the reasonableness and integrity of financial records, as discussed in "Accuracy of Financial Records."

Best Practices:
1. Understand the level of sponsored activity in the unit
2. Designate an individual responsible for coordinating all sponsored activities in the unit
3. Provide training to individuals on proper administrative procedures
4. Develop and document internal policies and procedures on administration of sponsored activities

Process
UNIT EVALUATION
The Institute asks all academic unit heads to encourage and support, to the fullest extent possible, efforts by the faculty and staff to attract and perform sponsored research activities. Part of this support is administrative assistance in complying with the many rules, regulations, and standards applicable to sponsored activities. In this environment, all unit heads should periodically, but at least annually, evaluate their sponsored activities in relation to their overall activities. One purpose of this evaluation is to determine if personnel and resources are reasonably allocated to sponsored activities.   A support staff of one or two employees may have been adequate, using old administrative techniques or processes, but a doubling of sponsored dollars or projects may require more support help and/or new processes/techniques. Conversely, reduction in sponsored activities means that support staff efforts may need to be reallocated, and that efforts to boost sponsored activity should be initiated.

The unit head must be involved with his/her personnel who perform sponsored research from the point of hiring, before any sponsored activity starts. This advance knowledge is needed so that the unit head can anticipate, and plan for, both the long-range and the near-term needs of the unit. For the near-term, this information is needed to reasonably plan for needed employee training, coordination of physical space, unit budgeting, and for Faculty evaluations.

RESPONSIBILITY AND DELEGATION
In most units with sponsored activity, the unit head selects one person to exercise the care and attention that will be needed to administer the sponsored activities of the unit. This person is given BOTH the responsibility AND the authority to coordinate the unit's sponsored activities. *Delegating the oversight for this activity does not relieve the unit head of the responsibility for the accuracy and reliability of the unit's financial records.* The complexities of Institute sponsored accounting have made experience, formal training, and cross-training prerequisites for this position and for those who may work for this person. In most campus units, this person will:
- Supervise the unit's business office employee(s) who monitor(s) project accounting
- Coordinate activities between Office of Sponsored Programs, the principal investigator, and Grants and Contracts Accounting; this employee will also work with their counterparts in other campus units for proper interdisciplinary accountability
- Generally protect the Institute's interests in the proper conduct of his/her unit's sponsored activities

The first step is for the responsible person to become familiar not only with Institute sponsored policies and procedures cited above, but also on the related areas of budgeting, accounting, procurement, facilities management, & PeopleSoft data entry and reports. This person must then be aware of the unit's scope of sponsored activities to be administered. With this background, the person can then document how the unit will handle its sponsored activities. Other basic steps should include:
- Require appropriate activity to be processed through the unit's assigned business office employee. This step is not necessarily to "approve" any single transaction, activity, or report, but is the only way the unit can ensure that PIs are performing their activities in a reasonable and prudent manner.
- Maintain a master project control record, to track the activity from proposal through final deliverable. Important dates and milestones should be monitored, and actions taken as needed to ensure compliance with policies, procedures, laws, and contract terms.
- The unit's business office should have a copy of the proposal (if applicable) and signed contract or sponsored agreement before initiating a request for a project number. Generally, no expense should be incurred before the project number is assigned or an authorized pre-award number is assigned. In addition, this information is needed so that the business office employee responsible for monitoring the unit's sponsored activities can reasonably perform this function.
- Finally, the unit should receive, access, and/or run Institute supplied reports and information, made available to assist them in the proper administration of their sponsored activities. Besides Institute project ledgers and PeopleSoft Salary Planning and Distribution (SPD) reports, there are Grants and Contacts Accounting PEB reports, Workload Assignment forms, undesignated reports, undeliverable and late deliverable

reports, and many others. Units should incorporate these reports in an overall plan of sponsored activity controls.

COMMUNICATE WITH EVERYONE

While everyone in the unit has to understand their duties and responsibilities in the handling of the unit's sponsored activities, principal investigators are ultimately responsible for their own sponsored activities. Savvy campus units strive not only to educate and assist their PI's, but to tailor the level of assistance to the specific needs of each PI.

Everyone in the unit should be notified of the previously documented internal policies and procedures on how the unit will administer its sponsored activities.

Related Issues:

1. Record Retention: Most original source documents to support the accounting information in the unit's Institute sponsored project records are still the responsibility of OHR, Budgets, Payroll, Grants and Contracts Accounting, and other Business Office units. But campus units are being called-upon more and more to retain these original records. Units should include in their internal policies appropriate document retention for Institute project records.

2. A-21/Plan Confirmation System: Participation in sponsored activities puts the Institute under many additional compliance rules and regulations, over and above those imposed by the state and the Board of Regents. One such entity is the federal Office of Management & Budget, which issued its Circular A-21 to provide Educational entities with the rules they are to use for sponsored activities. The Institute, for its part, incorporated these rules into its Plan-Confirmation System (PCS). A-21/PCS policies and procedures are in place to offer assurance to our sponsors that the expenditures the Institute is asking them to reimburse are reasonable and timely. Since salaries and wages constitute the bulk of Institute charges, that is where most of the processing and procedural controls are. Some of the major areas requiring unit attention under the PCS include the following.

- Undesignated Costs: For any number of reasons, a unit may not always have a sponsored account to which encumbrances and expenditures can be posted. In these cases, units are to charge a special undesignated account, until such time as the regular sponsored account can be established. For personnel costs, this typically means the Institute starts the fiscal year with several million dollars in these costs. Since no sponsor has been designated to invoice, the Institute must fund these costs until the sponsored account is established. Units must monitor and reduce all of their undesignated costs in a reasonable manner during the fiscal year. Institute policy requires no such costs be on the books at the close of the fiscal year.

- Cost Transfers: When expenditures are incorrectly charged, units are expected to identify and correct the error. All cost transfers are to be processed in a timely manner and properly documented. A cost transfer made within 60 days after the posting date of the transaction requiring a transfer will be considered timely. Cost transfers to externally-funded sponsored funds beyond 120 days of the original expense posting will not be allowed under normal circumstances.

- Annual Statement of Reasonableness (ASR) forms: A-21/PCS rules require that all Institute employees (or an acceptable substitute) covered by the PCS should sign an annual statement, certifying that their salary and wages distribution reasonably reflects their work

effort. Electronic Workload Assignment forms distributed monthly to covered employees provide the means for employees to review and notify appropriate unit personnel of needed changes during the fiscal year.

III.   Capital Assets

Description of Risk: Failure to properly account for capital assets could result in the loss of equipment, adverse publicity, potential loss of overhead recovery, and/or a misstatement of the value of capital assets on Institute records.

Criteria: The State of Georgia requires the Institute to be accountable for all equipment under its control. The Institute's policy requires the maintenance of a capital asset perpetual inventory to achieve correct financial reporting for the Institution, to provide the basis for suitable insurance coverage, and to assist departments in accountability for their equipment. (http://www.policylibrary.gatech.edu/business-finance/equipment-management)

Auditor's Overview: The purpose of reviewing this area is to ensure that campus units are engaging in true perpetual inventory practices. The perpetual inventory practice ensures the continual tracking of additions, deletions, and movements of equipment on a regular basis. Also, physical inventory counts must be conducted at least annually and their results used to adjust the inventory record.

Best Practices:
1. Empower one person with the responsibility and authority to oversee this process
2. Communicate the importance of this issue to the entire unit, enlisting their full cooperation in this matter
3. Develop and document internal capital asset procedures
4. Ensure that equipment entries are properly coded
5. Ensure that equipment is tagged in an accurate and timely fashion
6. In moving the asset from one location to another, information regarding the move is properly recorded and timely reported
7. In performing a physical inventory, information regarding the physical inventory is properly recorded and timely reported as a means of adjusting inventory records
8. Remember, capital asset control is much easier, faster, and more accurate if you view it as an ongoing process rather than allowing it to accumulate

Process
RESPONSIBILITY AND DELEGATION
The first basic step is that the Unit Head has to decide on one person that can be trusted to exercise the care and attention that will be needed to accomplish a reliable inventory control over the long run. This person then has to be given BOTH the responsibility AND the authority to see that the job gets done, from acquisition and tagging to disposal.

The person assigned capital assets responsibility should:

- Familiarize himself/herself with the policies and procedures contained on Georgia Tech's web page, as well as the information contained on the Procurement Services web page.
- Formalize an approach for implementing these procedures. Write down specific steps that staff should follow to ensure accurate and timely handling and recording of asset transactions.
- Ensure that all purchase requisitions are properly completed. Accurate information up front may save headaches later.
- Ensure that assets are properly controlled up front.
- When the asset arrives, be sure that the packing slip information matches the purchase request information; and check the actual asset to make sure it matches both of these. Refer to the Capital Assets Accounting Department (CAAD) website for proper methods of tagging new equipment. http://www.business.gatech.edu/cont_web/caad.html

COMMUNICATION
Everyone in the unit has to understand that accurate and timely inventory practices continue constantly, not just once per year, and that these practices are everyone's responsibility. The Unit Head communicates this by email, memo, meeting topics, and/or one-on-one conversations. Be sure to notify all personnel about internally developed policies and procedures.

ENSURE ACCURACY OF INFORMATION
Always check and double-check your project codes and other information that will be input to establish the new equipment on the Institute asset records. Procurement information is appropriately coded to ensure that "equipment" is added to the capital assets records. For example, if the equipment is inadvertently coded to the account code "Software," the asset will NOT show up on the CAAD inventory. It becomes a time-consuming process to add it to the inventory after the fact.

EQUIPMENT TRANSFER
Remember, to transfer equipment within the Georgia Tech campus you must update the location in PeopleSoft. This information flow helps keep annual inventory records accurate.

OFF-CAMPUS EQUIPMENT TRACKING
It is normal for some faculty and staff members to conduct some of their work from their homes or offices away from the Tech campus. When it becomes necessary to take some of the Institute's equipment off-campus to use in this work, keep in mind the following points:
- Be sure to complete and sign the Equipment Loan Agreement form
- Retain a copy at your school or department for audit and insurance recovery purposes
- Contact Risk Management (4-3483) to obtain information on how to insure the property off site
- Remember, if a piece of equipment is at home and there is no loan agreement on file, the equipment is not insured under Georgia Tech's policy; any loss may be borne by the unit or the individual using the equipment

INVENTORY SYSTEM

State law requires that all schools within the University System of Georgia keep a perpetual inventory of their capital assets. As part of this inventory system, Georgia Tech conducts annual physical inventories. Here are some tips to make things go more smoothly:

- Access and read Institute Policies and CAAD websites
- Establish a contact person in CAAD
- Obtain a user ID and/or access to the system
- Run an inventory report for your department
- After conducting the physical inventory, investigate the variances, if any.
  - Is an item simply missing? Ask another individual to check for the item. A fresh pair of eyes may pick up things that someone else missed. If it cannot be located after two consecutive inventories, contact CAAD in order to determine what steps to take.
  - Does the item appear to have been stolen? Report this to the Chair or Department Head and also to Georgia Tech Police Department 404-894-2500.
- In researching and resolving variances, the first step of course is to double check your original counts; it may be useful to have someone who did not count the item originally perform the second count.
- Report results to CAAD so that Institute records can be adjusted

SURPLUS EQUIPMENT

When it comes time to retire Georgia Tech equipment, remember to go to http://www.admin-fin.gatech.edu/business/equipment/070090.html, for instructions on how to notify the business office of surplus equipment.

Related Issues:

Equipment not owned by the Institute

Institute units may be in possession of equipment not owned by the Institute and not on the Institute's CAAD property records. Generally, the equipment in question will have been purchased under an 8433xx account code, and should be marked with the owner's equipment tag. Owners of such Institute used equipment would include the Georgia Tech Research Corporation and Sodexho (dining services). Proper equipment controls between the equipment users and the owners should be in place, and Risk Management should be made aware of these conditions.

Special rules apply when a federal sponsor holds title to equipment used by the Institute. This equipment is administered by GTRI under rules found on their website.

Equipment relocation out of country

A Carnet is an official pass or permit used when shipping equipment temporarily to another country. You should consider it the "passport" for equipment you are shipping, because it is a document that must accompany the equipment during export and import through customs. The advantages of obtaining a carnet are to eliminate assessment of taxes or duties, and to simplify the customs procedures - especially reentry of the equipment into the United States. Carnets are issued for a one-year period. Note: Most countries will not extend the time period of the Carnet.

All information and forms regarding obtaining a Carnet can be found at the United States Council for International Business web page: http://www.uscib.org/. Scroll down and click on ATA Carnet Export Service. (Our thanks to Mechanical Engineering for this wording from their internal web handbook.)

Managing software
The controls on commercial software become more important not only because of the aggregate costs of software packages, but more importantly because managers must mitigate the high liability associated with failure to control licenses on commercial software. Hence, like capital assets, inventory and management of software is an area requiring close management scrutiny. Some best practices can be found at http://oit.gatech.edu/service/softwarehardware/softwarehardware.

IV.   Foundation Funds

Description of Risk: The primary risk is using Foundation funds for purposes not intended by the donor, or that violate Institute or Foundation policies. Serious violations at the unit level can result in reduced unit funding and personnel actions, possibly leading to criminal and civil penalties. Beyond the unit, serious violations can damage the reputation of both the Institute and the Georgia Tech Foundation, and impair our joint, future fund-raising efforts.

Criteria: Georgia Tech policies and procedures require that all units encourage gift/grantee donors to make their gifts payable to the Georgia Tech Foundation, Inc. (GTF or the Foundation). All private gifts must be approved by the Vice President for Development to ensure that the gift being solicited is consistent with the needs of the campus unit, and the conditions of the gift are within the scope of activities that may be properly supported by the Institute. Further, all funds held by the GTF must be expended in accordance with the restrictions or intent of the donor and with Georgia Tech policies and procedures. GTF funds intended to benefit a function of Georgia Tech (instruction, research, service, and supporting functions) are to be recorded on Institute financial records. All transactions financed by GTF funds are to be made through the Institute in accordance with generally accepted business practices and procedures, except where there are specific prohibitions on the use of the funds by the Institute, or when prior approval of individual transactions has been received from the Office of the President. This and other Institute policies can be viewed at http://www.policylibrary.gatech.edu/business-finance/foundation-funds

Auditor's Overview: The availability of external funds to finance unit activities is a welcomed benefit, but there are rules and conditions that come with these funds. Campus units should exercise reasonable and prudent care in the acceptance, allocation, and use of private, non-sponsored Foundation funds.

Best Practices:
1. Work with an Institute development officer on ways to maximize gifts to the unit
2. Evaluate this area on an annual basis and decide what level of effort should be expended on this activity

3. Document the assignment of responsibility and authority to administer the unit's Foundation activities
4. All requests for disbursement, whether the processing will be through the Institute's GTF matching account or by direct GTF payment, should be reviewed by the unit's business office
5. Foundation account activity, and activity in any matching Institute accounts, should be reconciled to internal supporting documents
6. Units should make every effort to productively use available funds that will revert to general Foundation control at year-end if unspent (lapsing)

Process

DEVELOPMENT OFFICER

All academic units have a development officer responsible for soliciting gifts for the Institute. In some cases, that person works solely for, and is paid by, the unit. In other instances, however, the development officer works for several units. Nonacademic units do not have development officers to actively solicit gifts, but the Institute does employ development officers to solicit gifts for the general benefit of the Institute.

Depending on your unit's situation, a working relationship with a development officer may provide the opportunity to increase the Foundation funds available to your unit. This may occur simply by informing the development officer of your needs, or by relaying relevant ideas or tips on possible donors. At a minimum, a development officer can offer insights to unit administrators and faculty on how they may recognize opportunities for soliciting grants and gifts when performing their regular Institute duties. For specific information and further guidance, contact the Vice President of Development.

UNIT EFFORT

Unit heads have several responsibilities in this area, including: deciding the level of effort needed for this function; informing faculty and staff of possibilities and benefits of having Foundation funds available; budgeting and appropriate use of funds; and putting in place proper administrative controls.

Annually, the unit head should plan for the level of unit effort that will be devoted to soliciting grants and gifts. For academic units, the unit head may assume significant development responsibility, incorporating not only his/her time, but also that of unit administrators and faculty. (Note: Many schools enlist the aid of emeritus professors and successful alumni into this planning.)

As a part of the annual budgeting process, unit heads should make sure that anticipated Foundation funding is included. This process should document the unit head's approval for accumulating otherwise available Foundation funds for planned, future purposes.

DELEGATION AND AUTHORITY

Ideally, one person should be assigned the responsibility and authority to coordinate the functions of these individuals. The unit should be mindful that appropriate separation of duties should be practiced in the handling of these accounts.

There are two minimum accounting responsibilities units should perform in administering their Foundation accounts.

- Procedures should be established so that all expenditures are processed through a unit's business office employee. Some units split this responsibility between two employees, depending on whether the disbursement will be processed through the Institute's matching account or paid directly by the Foundation. The reason for this step is to ensure that the disbursements are reviewed for compliance with the donor's intent and applicable policy restrictions.
- Monthly Foundation account reports should be reviewed for reasonableness and accuracy. It is highly recommended that the accounts be reconciled to their matching Institute account, if appropriate. If the same employee who processes disbursements is made responsible for this reconciliation, then reasonable compensating internal controls should be established to counter this processing weakness.
- Project Expense Budget Reports (PEBs) are made available through Grants and Contracts. These reports reflect Georgia Tech and GTF expenditures and should be examined regularly.

MANAGING FUNDS

Grants may come with deadlines for using the funds. Much of the funding provided by the Foundation's governing board for general Institute use must be expended in the current year. These are but two examples of available funding that may be lost if the unit does not properly administer its Foundation accounts. While these amounts are generally immaterial, both individually and in total for the unit, we have noted one case where a unit "lost track" of an account and nearly forfeited more than $300,000 in available grant funding. Good business practices, and a reasoned stewardship over these funds, call for units to include this aspect in administering their Foundation funds. As a result, we recommend that units develop a reasonable tracking system that provides feedback to the unit head and describes the remaining fund balances and deadlines for usage.

Related Issues:

Employee Gifts

Georgia Tech employees may not be permitted to accept gifts for personal use from third parties who conduct business with either Georgia Tech or the Board of Regents. (See our section on gifts for more on this topic.) The Governor's memo regarding this issue can be viewed on the Department of Internal Auditing website at www.audit.gatech.edu.

Contract vs. Grant/Gift

Contracts are administered by the Office of Sponsored Programs (OSP), and by the Grants and Contracts Accounting Department. The Foundation handles grants and gifts. Campus units can determine the difference between these by reading the policy in http://www.policylibrary.gatech.edu/business-finance/distinction-between-gifts-and-sponsored-activities

Scholarships

Sometimes, donors will designate their gifts as scholarships available only to students that a particular college or school decides are qualified. In these cases, although the Office of

Scholarships and Financial Aid will make the actual disbursement from the account, the unit will be the one to designate who will receive the scholarship. Generally, the unit head will assign this responsibility to a faculty member. The unit employee assigned with general Foundation administrative responsibility will need to work with this faculty member to ensure that the Foundation account is properly administered through the Office of Scholarships and Financial Aid.

V. Travel

Description of Risk: The risk is that travelers may request and be reimbursed for travel costs that exceed allowable limits or for personal expenses, rather than those items essential to carrying out the business of the Institute. Reimbursements of this type are a violation of state law. If such violations were to occur, it could result in financial loss for the Institute and could generate negative publicity.

Criteria: The Institute's travel policies and procedures are contained in the Institute Policy Library at http://www.policylibrary.gatech.edu/business-finance/travel. The policies and procedures set forth in the travel statements apply to reimbursements from state funds and sponsored funds, unless the sponsored agreement states otherwise. Some of the basic requirements are that:
- Authorization to travel must be obtained <u>prior</u> to travel.
- Travelers are entitled to reimbursement for reasonable, necessary, and allowable expenses incurred. Additional expenses incurred for personal preferences or conveniences are the responsibility of the employee.
- Travel Expense Statements, with supporting original receipts, must be submitted as a basis of reimbursement for travel costs incurred. Everyone should familiarize him/herself with the travel policies and procedures to avoid miscommunications regarding funds available in advance for travel.

Auditor's Overview: The purpose of reviewing this area is to ensure that campus units have an organized approach for authorizing travel correctly and reimbursing only those expenses that are allowable according to Institute policy and state law.

Best Practices:
1. The unit head authorizes all travel for the employees of the unit <u>in advance of the travel</u> via on-line Travel Authorization and Expense Reimbursement (T&E) system in TechWorks or delegates, in writing, the authority to authorize travel to someone in the unit.
2. The unit head's immediate superior or that superior's designated representative is responsible for authorizing travel made by the unit head.
3. The unit head communicates the importance of this issue to the entire unit, enlisting their full cooperation in this matter.
4. Each unit is responsible for assigning a T&E Administrator to manage the set-up of supervisors, preparers, delegates and financial approvers for their unit.
5. All documentation is reviewed thoroughly for errors and compliance with Institute policies prior to being forwarded to Accounts Payable for reimbursement.
6. Expense reports and related receipts should be submitted to Accounts Payable via T&E system within 45 calendar days of the last day of travel.

Process

TRAVEL APPROVAL

Ensure that everyone in the unit understands that all travel must be approved by the unit head or other designated individual prior to the travel. The unit head should set the example by having his/her travel approved by the next level of management.

DELEGATION AND AUTHORITY

The unit head must select one or more persons who can be trusted to exercise the care and attention necessary to accomplish a reliable system for tracking and controlling travel documentation. This person is then given BOTH the responsibility AND the authority to see that the job gets done, from Travel Authority Requests (TAR) to expense reimbursements. It is important that this delegation be in writing; written authorization provides reasonable assurance to the individual and to outside entities of the authority extended.

- Double check to ensure that all Travel Expense Statements are properly completed. "Properly completed" means that the TES is mechanically accurate (everything adds up), supported by original documentation, and contains no personal or unallowable expenses.
- Compare the TES to the TAR. Is the purpose stated for the trip the same on both documents? Are the travel dates in agreement on both documents?

COMMUNICATION

Everyone in the unit has to understand that responsible travel practices ensure compliance with policies and regulations, promote the most economical use of state and sponsored funds, and reinforce public confidence in faculty and staff as responsible professionals. This communication may be accomplished via email, memo, meeting topics, and/or one-on-one conversations.

DISSEMINATE POLICIES AND PROCEDURES

The first basic step is for the responsible person to familiarize him/herself with the policies and procedures contained on Georgia Tech's web page. These policies and procedures can be found at the Georgia Tech Policy Library which is located at:

http://www.policylibrary.gatech.edu/travel

VI. Cash and Receivables

Description of Risk: Cash is the most liquid of assets, susceptible to loss if not properly controlled. Improper or unauthorized invoicing by individuals can result in loss of receipts if not prohibited. Units may not realize that open invoices at year-end must be recorded on the Institute's financial records.

Criteria: The Georgia Tech Policy Library, Section Business and Finance, covers the rules and regulations over cash receipts and accounts receivables. These are web accessible at http://www.policylibrary.gatech.edu/business-finance/cash-receipts-and-accounts-receivable

Auditor's Overview: The Bursar's Office is the primary unit for collecting and depositing all Institute cash, checks, credit cards, and wire transfers. Auxiliary Services and Business Office units may collect and deposit funds with the Bursar as a part of their normal operations, but there are few reasons for academic units to handle cash. Units that do collect cash should ensure timely deposits, secure funds, and segregation of duties over the cash handling process. Most units should refer persons wanting to pay funds to the Bursar or other, applicable units. Likewise, cash and checks sent through the mail should be forwarded to the Bursar for deposit.

Although any unit may have a petty cash account, these accounts are usually made available to provide change for cash collection activities. Further, petty cash accounts are generally needed by academic units only if the unit is located off-campus, or has an off-campus office, which requires funds for small purchases. In rare cases, and only with approval of Accounting Services, should any unit establish or use an external checking account.

If a campus unit has a specific need to prepare and issue its own invoices to a third party, it must have the specific approval of Accounting Services or Grants and Contracts Accounting, respectively. This approval can only be provided upon acceptance by the unit to perform this activity using standards approved by these Accounting Services or Grants and Contracts Accounting.

Best Practices:
1. A review should be conducted annually to determine the nature and extent of the unit's cash handling activities.
2. Empower one person with the responsibility and authority to administer the unit's cash collecting activities.
3. Prepare and document internal control processes and procedures over this function.
4. Ensure that separation of duties is embedded in the internal cash handling activities.
5. Ensure that all funds collected are secured under lock and key until deposited.
6. Deposit receivables in a timely manner.
7. Units are advised to let Accounting Services handle the invoicing function.
8. Institute revenue ledger account(s) should be regularly reconciled.

Process
ANNUAL REVIEW
Annually, all units should determine how cash is coming into the unit and why. All units may receive cash, even if delivered by mail in error. An annual review should identify all sources of funds so that management can determine if current processes and procedures to control these funds are reasonable and necessary. This is also the time to remind personnel of their responsibilities for cash handling.

DELEGATION AND AUTHORITY
If the unit is involved in cash handling processes, one person in the unit should be assigned oversight responsibility for this activity. That person will be responsible for ensuring that internal unit processes for cash handling are in compliance with Institute and internal policies and procedures, support staff is properly trained, cash is properly safeguarded until deposited, and that internal detail records are regularly reconciled to appropriate revenue ledger account(s). The oversight individual should ensure that separation of duties is imbedded in this process.

This means that a person, who actually handles cash and checks, or issues invoices, should not have the ability to enter data into the corresponding Institute accounts, or have any reconciling duties. Strong compensating controls need to be in place if this cannot be done.

DISSEMINATE POLICIES AND PROCEDURES
The unit should develop and document internal policies and procedures on cash handling, even if just to operate a (small purchase) petty cash account. These are needed to provide appropriate personnel with the unit-specific details for the more general Institute policies and procedures. These may address such issues as:
- Why the unit collects cash or issues invoices
- Assignment of specific responsibilities and timeframes for task completion
- Cash register operation and daily register tally
- Receipt, deposit, & invoice forms to use
- Approval process for significant steps
- Deposit preparation steps
- Georgia Tech Police procedures for making a deposit with the Bursar's Office, and/or a procedure for armored car pick-up
- What to do if a shortage or theft is discovered
- How cash is safeguarded until deposit, and who has the safe combination and/or strong box key(s)
- Processes for maintaining detail internal records
- Who sets-up and reconciles ledger accounts
- Required year-end actions

CASH HANDLING PROCEDURES
Accountability in cash collection processes is paramount. It is a disservice to employees when a unit's poor processes make them suspect for theft or shortages by others.

Each department/unit is responsible for the funds it receives for the Institute. Cash receipts must be officially recorded by approved validating equipment or in official pre-numbered receipt books. All checks in payment of amounts due the Institute must be made payable to "Georgia Institute of Technology." Department heads should make certain that proper safekeeping facilities are available and that proper safeguards are taken to protect Institute funds until they are appropriately deposited with the Bursar's Office or as otherwise designated. This may be accomplished by such means as, a fireproof safe, a locked desk drawer, or other locked device. The monetary cost should be a consideration when choosing the actual locking device. Further, more than one member of the unit should have access to the device in the event that the primary person responsible is absent. Funds accepted by the unit, which exceed $100, should be deposited with the Bursar by the next business day. Following these policies reduces the risk of loss and ensures accurate Institute financial records. If you have specific questions regarding cash handling procedures, contact the Director.

INVOICING PROCEDURES

Grants and Contracts Accounting is responsible for invoicing sponsored activities, the Bursar is responsible for invoicing students, and Accounting Services is responsible for invoicing third parties for non-sponsored activities. If a campus unit has a specific need to prepare and issue its own invoices to a third party, it must have the specific approval of Accounting Services or Grants and Contracts Accounting, respectively. This approval can only be provided upon acceptance by the unit to perform this activity using standards approved by these business units. All units doing their own invoicing are required to coordinate with Accounting Services at year-end on their outstanding invoices, for proper accrual and/or possible write-off action.

RECONCILIATION

Institute revenue ledger account(s) should be regularly reviewed to ensure that deposited amounts were correctly posted. Although rare, errors can occur and deposits may be recorded to the wrong revenue account. This should be part of the regular monthly reconciliation process between the ledger account total and internal records.

Related Issues:

Holding Cash/Non-payroll Checks

The Institute's policies and procedures address how Institute cash should be handled. However, it may not always be apparent what to do with checks that are not made out to the Institute, or that are made out to the Institute but sent to your unit in error. The general rule in these cases is to send the cash/checks to the Bursar's Office for proper identification and disposition. The mailing envelope and any other documentation should be attached, to aid in this process. The unit should exercise the same care and protection as afforded Institute funds in safeguarding these items until receipt by the Bursar.

Third Parties

For any number of reasons, third parties may be on campus or using Institute physical facilities. Generally, the Institute has no responsibilities in safeguarding or protecting any funds these third parties collect or have on the premises. Units, however, should include this as a risk discussion topic when discussing overall risk conditions with the Office of Insurance and Claim Management.

Club Funds

There may be times when Institute personnel collect and/or store cash and checks on campus, as a part of their external association duties. Generally, the Institute has no responsibilities in safeguarding or protecting an outside organization's funds. However, if the Institute sponsors the external group, provides them with free office space or other benefits, or even encourages the association or person in this relationship, there may be an implied responsibility to ensure the organization is handling cash in a reasonable and prudent manner. The unit head has a responsibility to make sure the individual is made aware of Institute resources available to assist in this endeavor.

VII. Procurement

Area of Risk: Procurement

Description of Risk: If campus units do not follow good purchasing practices, they may violate state laws, rules, or regulations, and expend funds in an uneconomical manner.

Criteria: Procurement and Business Services, under the direction of the Associate Vice President for Financial Services, is responsible for the procurement of all materials, supplies, equipment and services required by all departments and units of the Georgia Institute of Technology. This responsibility includes, but is not limited to, the following:

- Establishing all purchase contracts, except rentals, purchase of real property, or facility contracts (architects, construction, etc.) entered into on behalf of the Institute for all supplies, materials, equipment, and services. These include, but are not restricted to, equipment, supplies, printing, surveys and consultant services.
- Assuring that all purchases made are properly authorized and result in proper quality goods or services being delivered to the designated location, at the right time, in the right quantity, and at the best possible cost.
- Maintaining and operating a Central Receiving Department which has the responsibility of receiving, checking, and redelivery of supplies, equipment, and materials ordered for the campus that are not shipped directly from the vendor to the department requisitioning the order. This unit also controls the return of merchandise for reasons as necessary.

Guidance for the performance of these functions and responsibilities is provided from several sources. The primary authorities are:

- The Department of Administrative Services, the Agency empowered by the Purchasing Act, State of Georgia Annotated Code 50-5.
- State of Georgia Agency Purchasing Manual
- State of Georgia Vendor Manual
- Board of Regents Procedures Manual, at
  http://www.usg.edu/business_procedures_manual/section3/
- Georgia Institute of Technology Policy Library, Business and Finance, Purchasing and Account Payable can be found at

- Institute Policies and Procedures regarding PCards can be found at http://www.policylibrary.gatech.edu/business-finance/procurement-cards-pcard
- Institute Policies and Procedures regarding Petty Cash can be found at http://www.policylibrary.gatech.edu/business-finance/petty-cash

Auditor's Overview: The importance of this subject is to ensure that campus units understand and follow the appropriate procurement procedures. There are several types of procurement that may be accomplished by campus units. These include (1) Procurement card (PCard), (2) Departmental Purchase Order (DPO), (3) Petty Cash, and (4) those via contract through procurement services. The procurement source utilized is based upon the dollar amount of purchase and/or type of purchase.

Best Practices:
1. Gain a working knowledge of procurement policies and procedures
2. Attend procurement training
3. Develop internal policies and procedures on procurement and disseminate.
4. Empower PCard Coordinators with the responsibility and authority to oversee this process
5. Empower one person as the unit's central authority for handling invoices and DPO's
6. Empower one person as the unit's petty cash fund custodian
7. Ensure that petty cash is adequately secured
8. Petty cash should be subject to proper supervisory oversight
9. Retain all appropriate supporting documentation to validate the authenticity of the transaction and to make it available for audit and/or review if requested

Process
DELEGATE AND COMMUNICATE
Unit head should designate an individual within the unit as the unit's Departmental Procurement Coordinator, responsible for the overall process; a PCard Coordinator, a Petty Cash Custodian, and communicate this decision to the entire unit. *Delegation of this authority does not relieve the unit head of ultimate responsibility for this activity.* He or she should develop managerial assurance that the unit is in compliance with internal and Institute policies and procedures regarding these areas. This may be accomplished by instituting a feedback mechanism so that regular reports are directed to the unit head on a periodic basis. The unit should examine the purpose of the petty cash fund annually. The examination should answer such questions as: Why do we have petty cash? Could we accomplish the same thing using the PCard system? Are the funds properly secured? Is the dollar amount of the fund too high or too low? Who is handling the fund? Should this responsibility be rotated?

All procurement activity should be reconciled to the accounts payable information for the unit.

While the Institute requires PCard Coordinators to attend formal training, training for all PCard holders is important. Online training can be found at: http://www.trainsweb.gatech.edu

VIII.   Telecommunications

Description of Risk: If transactions are not reviewed for reasonableness and accuracy, inappropriate charges, errors, omissions, or abuses could go undetected.

Criteria: The Institute's Policy Library, Information Technology, Telecommunications: http://www.policylibrary.gatech.edu/information-technology/telecommunications   and http://www.policylibrary.gatech.edu/information-technology/long-distance-telephone-usage, contain criteria for long distance and cellular telephone usage.

Auditor's Overview: The importance of this subject is to ensure that campus units are implementing procedures to effectively use communication services and equipment at the lowest possible cost, and that there are internal controls to ensure that Institute resources are properly protected from abuse.

Best Practices:
1. Empower one person with the responsibility and authority to oversee this process
2. Management communicates the importance of this issue to the entire unit, enlisting their full cooperation and compliance in this matter
3. Develop internal policies and procedures on telecommunications and disseminate these to the entire unit to promote compliance in this area
4. Protect telephones accessible to the public from improper long distance calls
5. Review and verify long distance and cellular phone bills in a timely manner
6. Retain GTA bills and any other supporting documentation in accordance with the Institute retention guidelines
7. Hold unit personnel accountable for telecommunications equipment (i.e. telephone sets and other devices); conduct an annual inventory on telecommunications equipment
8. Ensure your units telecommunications closet is adequately secured to reduce the potential for fraudulent activity
9. In moving telecommunications equipment from one location to another, ensure information regarding the move is properly recorded

Process:
EMPOWER THE PEOPLE RESPONSIBLE
The first basic step is for the Dean, Chair, or Director to decide on **one person** that can be entrusted to exercise the care and attention that will be needed to accomplish adequate oversight over telecommunications. The person has to be given BOTH the responsibility AND the authority to oversee the entire process.

COMMUNICATE WITH EVERYONE
Development of an awareness campaign begins with **management's communication and dissemination of internal policies and procedures on telecommunications**. Management establishes the tone from the top that will affect how the entire unit handles telecommunications in the day-to-day operations of the unit. This will also determine how challenging your job will be in executing your responsibilities. Be proactive, review Institute and the unit's internal policies

and procedures. If the need arises, consider refreshing user responsibilities regarding telecommunications at faculty and staff meetings.

EXECUTION OF POLICIES AND PROCEDURES
The following are suggestions on implementing other best practices:
- **Restrict public telephones** from long distance service by completing and submitting a work order form: http://www.remedy.gatech.edu/telephone/ to OIT Telecommunications Department.
- Encourage faculty and staff to **secure workspaces** to ensure inappropriate calls are not made from unattended telephones. Additionally, the same may be said for being aware of who is entering and leaving your workspaces during business hours.
- Ensure **vacant workspaces** with telecommunications equipment are **properly secured** regardless if the telephone equipment has or has not been disconnected from phone service.
- **Maintain documentation** of all telecommunication lines, sets, and other equipment, individual assigned and its location. This documentation may be stored in any format you deem allows for the best means to manage the information (i.e. excel spreadsheet). At least annually, conduct an inventory to verify telecommunications assets are where you think they should be.

ENSURE ACCURACY OF INFORMATION
Ensure Accounts Payable is aware of your units' designee for review of the GTA monthly phone bills for timely receipt. Develop a process to **review phone bills** and for contacting individuals for questionable charges. This contact may be face-to-face, by phone call, or by email. You must determine what provides the most efficient method of obtaining resolution of questionable charges by individuals within your unit.

Further, it is important for the unit to maintain adequate records of questionable charges and cost associated with the call(s) to assist in reimbursement process. The Institute has extended the responsibility for maintaining this documentation to the individual units. Internal policies and procedures should reflect operational procedures relative to how the reimbursement will be handled by the unit. The unit should ensure the Long Distance Call Reimbursement Form (http://www.policylibrary.gatech.edu/book/export/html/1072) is used to document the reimbursement prior to depositing these funds with the Bursar's Office.

Additionally, **get to know OIT Telecommunication Services**; this area is the appropriate contact for inquiries regarding your telephone bill. OIT Telecommunication Services may be contacted by (404) 894-7173, Option 3. For additional information regarding OIT Telecommunication Services reference their web site at:

http://www.oit.gatech.edu/service/telecommunications/oit-telecommunications

IX. Insurance and Claims Management

Description of Risk: Institute assets may be put at risk should the unit incur liability above the Institute's self-insured limits.

Criteria: Insurance and Claims Management Policies are written for the faculty, staff, and students of Georgia Tech. These policies may be accessed via the Policy Library at http://www.policylibrary.gatech.edu/campus-use-facilities/insurance-and-claims-management. They are intended to assist those who may have questions concerning risk, liability, insurance coverage and workers compensation. Final approval of all claims rests with the Georgia Department of Administrative Services. In addition, all suits and legal actions become the responsibility of the Board of Regents and the Department of Law.

Insurance and Claims Management is responsible for protecting the assets and resources of the Georgia Institute of Technology. This involves the identification and evaluation of potential exposure to loss. It includes the reduction of the loss potential and the selection of the most appropriate technique for treating the loss exposure.

Auditor's Overview: The importance of this subject is to ensure that campus units are taking adequate measures to protect the physical and financial assets of the unit by ensuring that appropriate insurance needs are met, and associated risks are identified.

Best Practices:
1. Empower one person with the responsibility and authority to oversee this process
2. Communicate the importance of loss prevention and control to the entire unit, enlisting their full cooperation and compliance in this matter
3. Identify areas of risk for the unit and develop a plan to control these areas of risk
4. Develop internal policies and procedures on risk management and disseminate to the entire unit to promote compliance in this area
5. Determine proper insurance coverage exists for normal and extra-curricular activities sponsored by the unit
6. Develop a process for issuance and control of door keys and access cards
7. Report all incidents that present a risk to the Institute

Process:
Delegation and Authority
Empower one person with the responsibility and authority to oversee this process. The first basic step is for the Dean, Chair, or Director to decide on one person that can be entrusted to exercise the care and attention needed to accomplish adequate oversight over risk management. The person has to be given BOTH the responsibility AND the authority to oversee the entire process.

Communication
Communicate the importance of loss prevention and control to the entire unit, enlisting their full cooperation and compliance in this matter. This may be accomplished by development of an awareness campaign. It begins with management's communication about risk management and dissemination of internal policies and procedures. Management establishes the tone from the top that will affect how the entire unit handles risk management in the day-to-day operations.

Identify and Control Risks

Identifying perils and risk exposures is probably the most important step in the risk management process. If a poor job of exposure identification is done and risk exposures are not recognized, the entire risk management program will suffer. Therefore, it is extremely important that a thorough job of exposure identification is accomplished. The process of identifying risk exposures is a continuous one. Organizations are dynamic, and the composition of the organization's employees, programs, resources, and environment are in a state of constant change. Because of these dynamics, the organization is constantly subjected to changing exposures. Consequently, a single effort to identify risk exposures simply provides a "snapshot" of the exposures at one point in time. Subsequent risk exposures may not be included in the snapshot. **Periodic updates of risk exposure identification must be conducted.**

Several methods could be used to identify risk exposures, such as:

- Checklists, surveys, and questionnaires
- Reports
- Flowcharts
- Professional expertise
- On-site inspections

Unit Sponsored Activities

Determine whether proper insurance coverage exists for normal and extra-curricular activities sponsored by the unit. The unit should define what "normal" and "extra-curricular" activities. Insurance and Claims Management Services may require a certificate of insurance, and/or signed release and waiver of liability when formalized activities, groups, concerts, shows, performances, athletic events, and presentations require the use of campus facilities. This applies especially to outside parties.

Any Institute group, department, or individual contemplating any activity described above, or involved in activities promoted by others must call Insurance and Claim Management Services at 404-894-3483, or write Risk Management Services mail code 0259 as soon as it is reasonably convenient. An events questionnaire must be completed to determine all risk factors and needs. Finally, take a step back and examine these processes even if your current methods have remained the same for some period of time.

Access to Unit

Develop a process for issuance and control of door keys and access cards. Ensure the inventory of unissued door keys and access cards is secured. Documentation should exist for all door keys and access cards issued to faculty, staff, and students. For access cards, periodically obtain a list of the individuals who have access cards and review their access privileges.