



Controller's Office  
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To: University Employees  
From: Rick Allen, Controller  
Date: June 1, 2010  
Subject: Financial Accountability and Control- Understanding Internal Controls

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The purpose of this communication is to emphasize lines of responsibility for financial accountability and control at Utah State University (University) and to discuss fraud deterrence.

#### Lines of Responsibility

Stewardship of the University's financial resources is the responsibility of all employees. For every financial activity or project, a faculty or administrative person is designated as the "financial manager" or "principal investigator." This individual assumes primary responsibility for maintaining financial accountability and control for funds under his/her jurisdiction. Such responsibilities include:

- Learning, following, and upholding financial policies established by the University and external agencies
- Preparing and using budgets based on a thorough analysis of need that conforms to University budgetary guidelines and processes
- Establishing basic internal controls to ensure that transactions are appropriately executed and recorded, including segregation of duties to maintain appropriate checks and balances
- Being alert to control weaknesses that can lead to waste, misuse, misappropriation or destruction of assets (including data and data integrity) and taking action to correct such weaknesses

The financial manager has authority to expend University funds to accomplish assigned responsibilities, and is accountable for all transactions recorded in his/her activities/projects. This includes ensuring that transactions are:

- Reasonable and necessary
- Consistent with established University policies and practices
- Consistent with sponsor and donor restrictions

Expenditures that are solely for personal benefit or purposes other than those that benefit the University are prohibited.

A key element in the University's system for maintaining control is review and approval of the monthly accounting statements. The statements should be reviewed and approved by a person with supervisory responsibility for the individual(s) who initiate transactions and reconcile. The financial manager should not seek to delegate this function, and may do so only when there is no practical alternative. If review and approval authority must be delegated, it is imperative that the financial manager remain sufficiently involved to be knowledgeable about financial matters and exert meaningful oversight.

Approval must be evidenced by the signature of the person who completes the review, along with the date. Approval should ordinarily be completed within one month of receipt of the finance monthly reports. Approval indicates agreement that:

- Transactions are accurate, or that necessary corrections are in process
- Expenditures are reasonable, necessary, and are for legitimate University business
- Expenditures and other charges are allowable and consistent with donor or sponsor restrictions
- Supporting documentation exists and is retained by the department for possible review by internal or external auditors

#### Fraud Deterrence

In the past the University has dealt with a few situations involving dishonest acts by employees. Although such cases involve a small number of employees, their detrimental impact on the University should not be minimized or underestimated.

All employees share the responsibility for preventing, detecting, and reporting these types of problems. The University investigates suspected problems thoroughly, with careful consideration to the rights of all affected individuals. Disciplinary or legal action is taken where warranted; willful misconduct is not tolerated.

There are several indicators of possible problems that supervisors and employees should be alert to:

1. **Poor attitude or example by those in authority.**  
Management's attitude and actions greatly influence the potential for fraud. Those in authority must communicate high expectations concerning ethical behavior, compliance with the law, and financial accountability. Dishonesty and waste are much more likely to occur in situations where there is little or no such communication.
2. **Indifference to or disregard of official University policies.**  
Official policies should be referred to as questions arise or important decisions are considered. Compliance with the policies is expected. Repeated infractions or blatant

disregard of University policy is very serious. It can also be a warning sign of fraudulent activity.

3. **Lack of effective oversight.**

Some of the most serious problems have occurred where oversight was absent or ineffective. High levels of trust and considerable freedom for employees often characterize university workplaces. Every employee is expected to be held accountable for his/her actions. Department heads and supervisors must provide diligent oversight over all employee activities, particularly those involving financial duties.

4. **Use of University resources for personal purposes.**

Use of University resources for personal purposes is prohibited. All University accounts, regardless of their funding source, represent public funds that may be used only as allowed by University policy. University equipment may be used only for approved purposes. Time and effort reporting must accurately reflect the work performed—reporting time spent on personal business or other activities as work time is not allowed.

Any dishonest or improper act by an employee (e.g. that violates the law, wastes money, or endangers public health or safety) is of great concern to the University. All employees are encouraged to report suspected activities to their supervisor, or directly to a higher level, if the supervisor is involved. If you suspect a crime has been committed, you should report it immediately to University Police (797-1939). The University Internal Audit Department (797-1084) may also be contacted.

The University is committed to protect employees who, in good faith, report suspected improprieties or illegal activities. In fact, it is unlawful in Utah to discharge, threaten or otherwise bring a personal action against an employee who reports a violation of law or waste of public funds, property, or manpower unless the employee knows the report is malicious, false or frivolous.

The public rightfully expects University personnel to meet high standards of ethics and integrity. We thank those who are conscientious stewards of the University's financial resources.

The complete document of [Internal Controls](#) Guidelines can be found on the Controller's website.