

Financial Accountability & Control

A series of financial frauds in recent years at companies such as Enron and Worldcom have focused public attention on the quality of financial accountability and control in business organizations. Congress has imposed strict requirements for public companies that are also raising the bar for non-profit organizations such as Utah State University. Regents, trustees, legislators, credit rating agencies, insurers and regulators are increasingly soliciting information regarding the University's policies and procedures, along with evidence they are adhered to.

The purpose of this guide is to emphasize the lines of responsibility for financial accountability and control at the University as well as discuss fraud deterrence.

Lines of Responsibility

Good stewardship of the University's financial resources is the responsibility of all employees. For every financial activity or project, an employee is designated as the "account manager", "principal investigator" (PI), or other similar titles. This individual bears primary responsibility for maintaining financial accountability and control for funds under his or her jurisdiction. Such responsibilities include, but are not limited to:

- 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 the University's budgetary guidelines and processes
- Establishing basic internal controls to ensure 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
- Consistent with established University policies and practices

The account manager or PI has the authority to expend University funds to accomplish assigned responsibilities and is accountable for all transactions recorded. This includes ensuring transactions are:

- Reasonable and necessary
- Properly recorded and reported
- Consistent with sponsor or donor restrictions, as applicable
- Adequately documented to substantiate the business purpose
- Compliant with relevant policies, procedures and regulations

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

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

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

- Transactions are accurate or that necessary corrections are in process
- Expenditures are reasonable, necessary and for legitimate University business
- Expenditures and other charges are allowable and consistent with donor or sponsor restrictions, as applicable
- Supporting documentation exists and is sufficient to substantiate the nature and business purpose of the expenditure

Fraud Deterrence

The University has dealt with situations involving dishonest acts by employees, ranging from careless mishandling of funds to systematic schemes to defraud the University. Although such cases involve a very 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 questionable activities or concerns. The University investigates suspected cases thoroughly, with careful consideration to the rights of all affected individuals. Disciplinary or legal action is taken when warranted; willful misconduct is not tolerated.

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

- Lack of effective oversight
The most common denominator for fraudulent activity is the lack of effective oversight. Some of the most serious problems have occurred where oversight was absent or ineffective. High levels of trust and freedom for employees often characterize University workplaces. Even so, every employee should expect to be held accountable for his or her actions. Department heads and supervisors must provide oversight over all employee activities, but particularly those involving financial duties.

- **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 policies and law, and financial accountability. Dishonesty and waste are much more likely to occur in situations where there is little or no such expectation and communication.
- **Indifference about or disregard of University policies**
Policies should be referred to as questions arise or important decisions are considered. Non-compliance with policies is, in itself, serious. It can also be a warning sign of fraudulent activity.
- **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 only be used as allowed by University policy. University equipment may only be used for approved purposes. Time and effort reporting must accurately reflect the work performed-time spent on personal business or other activities as work time is not allowed.

Any dishonest or improper act by an employee, i.e., act 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 improprieties to their supervisor or directly to a higher level, if the supervisor is involved. You may also contact the Internal Audit Services' hotline, where you may anonymously report suspected improprieties or fraudulent activity: 435-755-7118 or via our online form <http://www.usu.edu/ias/concerns.cfm> If you suspect a crime has been committed, you should report it immediately to the University Police.

The University is committed to protecting employees who, in good faith, reported suspected improprieties or illegal activities. In fact, it is unlawful 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 rightly expects University personnel to meet high standards of ethics and integrity!