

KUSM-WICHITA
INTERNAL CONTROL STANDARDS
July 2002
Updated July 2006

I. AUTHORIZATION/APPROVAL/SIGNATURE

1. Each department shall designate an authorized approver(s) to verify the appropriateness and validity of documents and transactions. "Approval" of a transaction means that the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate and complies with applicable regulations as well as State and KU policies and procedures.
2. The authorized approver shall be at a level of fiscal responsibility that commensurates with the resources being expended, e.g., an administrative officer, department director, associate dean or department chair.
3. The authorized approver shall review and approve, via signature and date, transactions/documents to authorize staff to act accordingly, to verify transactions were processed in accordance with management criteria and to detect and correct errors or irregularities.
4. To avoid the reality as well as the appearance of impropriety, the authorized approver shall not approve transactions which provide, or appear to provide a direct benefit to them, e.g., approval of their own time sheets, memberships, or personal reimbursements.
5. Below are examples of transactions and documents which should be reviewed and approved:
 - i. Requisition forms or other documentation to initiate a transaction
 - ii. BPC log/reconciliation
 - iii. Travel
 - iv. Interdepartmental Billing invoices (IDB's)
 - v. Invoices generated by the department
 - vi. Restricted fee deposit memos
 - vii. Account reconciliations
 - viii. PeopleSoft Summary of Payroll Expense Reports (JPAYs)

II. AUTHORIZED APPROVER DELEGATION

1. The authorized approver may delegate their authority (but not responsibility) to staff by documenting in memo, letter or policy format, the authority granted. The authority delegated must be clear to all parties and shall identify:
 - i. Name and title of the delegee
 - ii. Effective date of delegation
 - iii. Description of the authority delegated, e.g., purchasing, time sheet, on-line travel approval, etc.
 - iv. Monetary amount and any limitations
 - v. Non-monetary limitations on the authority delegated
 - vi. Authorized approver signature and title

2. If a person has signature authority for someone else, they should sign their own name and not the name of the delegator. For example, if Dr. Smith gives Ms. Jones signature authority, Ms. Jones should sign her own name, not "Dr. Smith by Ms. Jones."
3. Signature stamps may not be used for any signature.

III. SEPARATION OF DUTIES

1. No one person shall have complete control over an entire process or fiscal activity.
2. Ideally, one person should not initiate a transaction, approve it, record it, and then reconcile it to the accounting system.
3. When separation of duties is difficult to achieve due to limited staff, management shall exercise sufficient review and oversight to ensure transactions are carried out according to their directives.
4. When possible, separate:
 - a. Purchasing from receiving of goods
 - b. Purchasing from account reconciliation
 - c. Invoicing from receipt collections
 - d. Receipt collections from deposits
 - e. Invoicing and deposits from account reconciliation

IV. PURCHASING, EXPENDITURES & TRAVEL

1. The authorized approver shall establish and communicate purchase and expenditure expectations to employees. In absence of an authority delegation document, the purchaser/requisitioner shall obtain written approval from the authorized approver prior to any expenditure of university funds. This includes PeopleSoft requisitions/purchase orders, Business Procurement Card (BPC) transactions, travel and interdepartmental billings (IDB's).
2. PeopleSoft requisitions shall be entered and purchase order approval obtained by KUMC prior to ordering goods and services.
3. All goods ordered by the department shall be delivered to the department and not to an employee's home.
4. Prior written approval or delegation for BPC purchases shall be secured in the same manner as the requisition/purchase order process.
5. Each card holder shall maintain familiarity with KUMC established policies and procedures for the Business Procurement Card. These can be found at: <http://www2.kumc.edu/finance/pdf/BPCPolicyManual.pdf> and <http://www2.kumc.edu/finance/pdf/BPC.pdf>
6. Only the cardholder shall use the card to initiate purchases.
7. The BPC cardholder is responsible for identifying and resolving any unauthorized charges. Charges which cannot be resolved within 3 months through the cardholder's best efforts should be referred to Administrative & Financial Services.
8. The cardholder shall reconcile charges on the credit card statement to department-initiated transactions.
9. The authorized approver shall approve the BPC reconciliation and monthly transaction log before submission to KUMC.

10. The BPC card must be adequately secured by the cardholder in a locked bag/cabinet/file or kept on person to ensure sole access to the cardholder.
11. Prior written approval or delegation for travel shall be obtained for in-state, out-of-state and international travel.
12. The policies and procedure as stated in the State of Kansas Employee Travel Handbook at <http://www.da.ks.gov/ar/employee/travel/travbk.htm> must be followed for all travel related expenditures.

V. RECEIVING

1. Goods received shall be inspected against goods ordered prior to "receiving" in PeopleSoft.
2. The inspector shall initial and date the purchase documentation, packing slip or invoice as evidence of inspection and acceptance.
3. The inspector shall be independent of the person who ordered the goods and services.

VI. ACCOUNT RECONCILIATION

1. Each department shall maintain a record of all financial transactions, receipts, payroll, purchasing, interdepartmental billings and travel, independent of PeopleSoft.
2. Each department shall reconcile department transactions to PeopleSoft transactions to ensure initiated transactions were correctly posted and unauthorized transactions, errors or irregularities are detected and corrected.
3. Each department shall designate a reconciler to perform a monthly reconciliation of departmental balances to PeopleSoft balances.
4. The reconciler should be independent of the purchasing, receiving, invoicing and cashier functions. If independence is not possible, management must perform a detailed review of each monthly reconciliation.
5. At a minimum, compare monthly:
 - a. PeopleSoft receipts to department prepared deposit memos
 - b. PeopleSoft payroll (base and fringe) expenditures to the Summary of Payroll Expense (JPAY) reports
 - c. PeopleSoft purchasing and travel expenditures to requisitions/purchase orders, BPC transaction logs, travel payment vouchers and IDB invoices
6. The reconciliation document shall indicate the department's balance, the PeopleSoft balance, outstanding expenditures and revenue, and that the department balance agrees with the PeopleSoft balance.
7. Upon completion of the reconciliation, the department director, chair or associate dean shall review and approve the reconciliation as evidenced by signature and date. The review should include an assessment of the sufficiency of the remaining budget as well as a detailed review of any significant variances from planned expenditures.
8. When the reconciler is also the authorized approver, an independent third party, department chair, associate dean should review, sign and date the reconciliation document.
9. The reconciler shall retain documentation that the monthly reconciliation was performed, reviewed and approved.

VII. BILLING/INVOICING FOR SERVICES PROVIDED

1. The department shall document, evaluate and update their fee schedule annually.
2. The department manager/director shall review and approve, via signature and date, the fee schedule to identify and authorize which goods and services are billed and the corresponding monetary fees.
3. Any and all goods and services provided and charged for shall result in a billing/invoice and be tracked in an accounting system.
4. Departments who charge internal and external customers for services provided shall prepare and distribute a KUSM-Wichita invoice or issue a sales receipt for goods and/or services provided.
5. The invoice or sales receipt shall have supporting documentation such as a work order or e-mail to substantiate the goods and services rendered.
6. If a credit memo or refund is required, the department shall prepare a credit memo or request a refund from the appropriate source, e.g. KUMC Control & Reporting.
7. The authorized approver shall authorize, via signature and date, any credit memo or request for refund.
8. The department shall substantiate and document the reason for the credit memo or refund.
9. All invoices, sales receipts, credit memos and supporting documentation shall be retained and tracked by the department in order to determine total sales and accounts receivable.
10. Individual accounts receivable records shall be maintained showing amounts charged and payments made, e.g. the QuickBooks Customer Balance Detail report.
11. The authorized approver shall sign and date all invoices or an invoice listing prior to distribution to customers. The invoice listing must contain at minimum, the customer, transaction date, brief description of the goods/services provided, sales tax (if applicable) and the amount.
12. The department shall maintain and prepare a monthly listing of all unpaid invoices with aging information.
13. The director shall review the listing of all unpaid invoices and aging schedule monthly.

VIII. RECEIVABLES RESULTING FROM BILLING/INVOICING

1. The State of Kansas Policy and Procedure Manual, Filing Number 8001 establishes procedures for management of receivables applicable to all state agencies at <http://www.da.ks.gov/ar/ppm/ppm08001.htm>
2. The department shall maintain an accounts receivable listing to determine monies owed to them but uncollected. Accounts receivable is defined as the amounts billed for goods and services provided but not yet collected.
3. Management shall review the accounts receivable listing monthly.
4. All past due/delinquent accounts shall be subjected to collection procedures and collection efforts documented.
5. Credit shall be refused to recurring delinquent accounts in excess of 90 days.
6. If and when the department has determined the receivable is uncollectible, they may write-off the receivable with appropriate justification and sufficient collection efforts.

7. Management shall review and approve all adjustments to and write-offs of accounts receivable via signature and date on the customer's statement, invoice or accounts receivable report.

IX. CASH MANAGEMENT

1. The term "receipts" includes all cash and checks received by a department.
2. Cash and checks shall be secured at all times. It is imperative that receipts be recorded as soon as they come within the department's control through the issuance of a 3-part prenumbered receipt.
3. Each department shall designate a cashier to receive all departmental receipts and an alternate cashier to receive receipts in the cashier's absence.
4. The cashier, immediately upon receipt of cash and/or a check shall issue each payer a 3-part prenumbered receipt.
5. Prenumbered receipts shall be issued for all cash and checks due to:
 - a. Service division revenue
 - b. Conference fees
 - c. Student activities
 - d. Employee activities
6. Prenumbered receipts do not have to be issued for PeopleSoft IDB revenue nor hospital contract revenue.
7. Receipts shall be issued in numeric sequence and accounted for by issuance or voidance. When necessary to void or cancel a receipt, the original and all copies shall be retained in the receipt book and marked "void" to prevent re-use.
8. The cashier shall complete the receipt, listing the date, payee, amount, reason, and payment method, e.g. cash or check, and sign the receipt.
9. The cashier shall provide the original copy to the payer, attach the second copy to the deposit memo or other deposit documentation and retain the third copy in the receipt book.
10. The cashier shall immediately place a restricted endorsement on all checks and prepare for deposit or secure until the deposit can be made.
11. Disbursements from cash receipts shall not be permitted.
12. Deposits shall be made at least once per week or whenever \$100 or more has accumulated.
13. When applicable, the validated deposit slip shall be requested and returned to the department's reconciler.
14. When possible, a person independent of the cashier, the recorder and the reconciler should deposit the funds.
15. The authorized approver shall sign the deposit memo or slip before deposit.
16. All deposits shall be reconciled monthly by comparing department deposit transactions to accounting system financial reports and/or bank statements.
17. The department supervisor and Administrative and Financial Services should be immediately informed of any overage or shortage.

X. SECURING CASH AND/OR CHECKS

1. Cash and checks shall be secured in a locking bank bag or cash box at all times.

2. The locking bag or box shall be stored in a locked desk drawer, file cabinet or safe.
3. Access to cash and checks shall be isolated to only one person at a time, usually the cashier.
4. The cashier shall have one bank bag key and one desk/file cabinet key.
5. The alternate cashier shall have the spare bank bag key and a third employee shall have the spare desk/file cabinet key. In this manner, in the absence of the cashier, it will take two people to access the cash.
6. In the event the alternate cashier and the third employee need to access the cash and checks, they shall conduct the transaction together and sign the supporting documentation. A copy of this documentation shall be given to the cashier upon his/her return as evidence of access.

XI. TRANSFERRING CASH AMONG INDIVIDUALS

1. When cash and checks are transferred from one individual to another, it is imperative to document the transfer so that both parties agree on the amount presented and the amount received. Therefore, a cash transfer form shall be prepared to document the transfer of cash.
2. The presenter shall prepare the form listing the amount to be presented.
3. The receiver shall count the cash and sign the form to confirm the amount received.

XII. PAYROLL

1. Non-exempt employees shall complete, sign and date their time sheet as evidence of hours worked each day. Exempt employees shall report leave taken and sign and date their time sheet.
2. The immediate supervisor or delegate shall approve employee time sheets via signature and date.
3. All time sheet changes shall be initialed and dated by both the employee and supervisor.
4. A time sheet signature policy is available at <http://wichita.kumc.edu/afs/payroll/timesheetPolicy.html> for further reference.
5. Administrative and Financial Services shall maintain and secure, as required by law, all original employee time sheets. Departments have discretion on whether to maintain a copy of employee time sheets in their department.

XII. CAPITAL OUTLAY EQUIPMENT INVENTORY

1. The State of Kansas Policy and Procedure Manual Filing Number 13001 establishes procedures for capital asset management applicable to all state agencies. <http://www.da.ks.gov/ar/ppm/ppm13001.htm>
2. Each department shall keep a listing of their assets costing or valued at \$500 or more.
3. All department assets, no matter how acquired, e.g. KUMED, KUEA, KUMCRI, shall be included on the list. Examples include:
 - o Computer hardware – PC's, laptops, printers, monitors
 - o Computer software – Microsoft Visio, SPSS, Survey Monkey
 - o Other technological devices - palm pilots, cell phones, pagers
 - o Office furniture – file cabinets, desks, chairs
 - o Office machines – copiers, faxes

4. The PeopleSoft Software Compliance module tracks software purchases entered in PeopleSoft and can also be used to track software acquired outside of PeopleSoft.
5. Departments shall ensure licenses are secured for all software excluding those provided by KU master licensing agreements, e.g. Novell network operating system, GroupWise and Microsoft Office. All other software licenses, e.g., Intellisync, Microsoft Visio, QuickBooks, SPSS, etc., shall be secured by the department and made available for inspection.
6. Facilities Management annually inventories and ensures equipment tags are applied to assets of \$5,000+ as required by state policy.
7. The department shall surplus office equipment and furniture no longer wanted or needed through Facilities Management.
8. The department shall surplus computer equipment no longer wanted or needed through Information Technology Services.
9. Assets surplus, transferred or otherwise removed from the department shall be approved by the authorized approver and documented, preferably on the inventory listing.
10. Employees can only acquire state property by purchasing from a surplus sale.
11. Under no circumstance shall any state property, regardless of value, be taken by an employee or given to any individual.

XIV. SALES TAX

1. KUSM-Wichita, a State of Kansas agency, is sales tax exempt by state statute. KSA 79-3606(b) exempts all sales of tangible personal property and services, including renting and leasing of property, purchased directly by the State of Kansas.
2. Direct purchases by KUSM-W, the KU Endowment Association and KUMCRI funds are sales tax exempt and sales tax shall be excluded from all invoices billed and paid.
3. Any department that sells taxable goods and services to taxable customers shall ensure sales tax is collected and reported.
4. Customers must provide KUSM-Wichita a sales tax exemption certificate to avoid sales tax charges. Until such a certificate is presented, the KUSM-W must invoice and collect sales tax.
5. Sales tax issues could arise inadvertently, e.g. videotapes, department produced books/publications and employee activities sales. Therefore, consult AFS prior to the sale/event.

XV. RECORD KEEPING & RECORD RETENTION

Departments shall maintain written approvals and financial transaction source documents to support the basis of a transaction from initiation to completion. For example, e-mails, signed documents, requisition forms, purchase orders, BPC card statements and signed logs, packing lists, invoices received and invoices sent, signed deposit memos, check copies, account reconciliations, payroll reports shall be retained in department records. Records can be destroyed according to the record retention schedule located <http://www2.kumc.edu/finance/recordretention/>

XVI. PETTY CASH - See <http://wichita.kumc.edu/afs/purchasing/pettyCash.html>

XVII. CREDIT CARDS AND LOCAL CHARGE ACCOUNTS - See

<http://wichita.kumc.edu/afs/purchasing/creditCard.html>

CONTACT INFORMATION

If you have any questions about these standards, contact Tyann Orton, Administrative and Financial Services, at ext. 3-3552.

HELPFUL FORMS

- Authorization, Approvals & Delegations form:
http://wichita.kumc.edu/afs/forms/ICS_authorization_approval.doc
- Cash Transfer form: http://wichita.kumc.edu/afs/forms/cash_transfer_form.xls
- Inventory form: http://wichita.kumc.edu/afs/forms/ics_inventory_form.xls
- Purchase Requisition form: http://wichita.kumc.edu/afs/forms/requisition_form.xls