

3.10.3

Financial Resources: Control of finances

The institution exercises appropriate control over all its financial resources.

Judgment

Compliance Partial Compliance Non-Compliance Not Applicable

Narrative

Tennessee Technological University (TTU) has an established protocol for management of its financial resources. This protocol is overseen by the Vice President for Planning and Finance [1] [2], who has primary control of the University's resources.

Organizational Structure and Chain of Command

The Vice President for Planning and Finance reports directly to the President and is a Certified Public Accountant (CPA) in Virginia (inactive) with more than 20 years of experience in higher education. The Associate Vice President of Business and Fiscal Affairs [3] [4] is a CPA in Tennessee (inactive) with more than 20 years of experience in higher education. Departments reporting to the Vice President of Planning and Finance that are responsible for control over financial resources include Business and Fiscal Affairs, Budget, Facilities and Business Services, Auxiliaries, and Human Resources [5]. Offices within Business and Fiscal Affairs under the supervision of the Associate Vice President of Business and Fiscal Affairs include General Accounting, Grant Accounting, and the Bursar. The Bursar Office oversees cashiers, accounts receivable, and loans. The General Accounting Office oversees accounts payable and maintains the official accounting records and related systems of internal control. The Grant Accounting Office oversees the billing and accounting for grants. The Purchasing Office is within Facilities and Business Services and reports directly to the Vice President for Planning and Finance. The Purchasing Office ensures that all purchases made on behalf of TTU adhere to University and Tennessee Board of Regents (TBR) policies as well as state and federal laws. TTU follows TBR policies that govern the safeguarding of cash and allowable expenditures. These policies [6] [7] [8] [9] [10] are available online to all personnel and are enforced by employees in the offices of Accounting, the Bursar, and Purchasing. Expenditures are reviewed to ensure compliance with TTU and TBR policies and procedures as well as state law. Expenditures require the signature of the individual responsible for the budget of the department or the area.

Budgeting and Financial Planning Process

The budget and financial planning process for TTU [11] [12] results in the allocation of financial resources in a manner to best accomplish the mission of TTU. Priorities established in the planning process are used for allocating new resources and/or reallocating existing resources. Once the proposed annual budget is developed, it is forwarded via electronic data submission to the TBR for approval. A budget revision is transmitted in October. Once approved, procedures are in place to ensure that expenditures do not exceed the budget. The Director of Budget is responsible for monitoring any deficits.

Since 2007, the University has utilized the Banner Financial system (Banner) as its primary accounting system for the general ledger. Accountants in Accounting review daily control reports produced by Banner to determine that subsidiary ledgers reconcile to the general ledger.

Cash Handling and Flow Processes

Goods and services can be acquired by University employees through one of three methods: purchasing

card if total estimated purchase is less than \$5,000; purchase order if bids are required (purchases of \$10,000 or more); or direct pay if no contract or bids are required. Prior approvals must be obtained in certain circumstances, such as purchases using grant funds; purchases for printing; and purchases for computers, software, and network-related items. Other documents may be required, depending upon the goods being purchased or services being provided. Purchase orders must be accompanied by relevant supporting documents. Items costing \$10,000 or more must adhere to competitive bidding guidelines according to TBR and TTU purchasing policies [13] [10]. Once goods or services have been ordered and received, there are specific control requirements pertaining to the disbursement of funds. University payments must have signatures of the appropriate approving authority, which are electronically obtained through the SciQuest eprocurement system. Accounting maintains the electronic approval work flow in the eprocurement system. The payments are entered into Banner by account clerks in Accounts Payable. Minimum documents required to process a payment include invoices or direct pay form and purchase order (if required) properly approved through the eprocurement system. Receipts must be maintained and reconciled to the cardholder's memo billing statement for all purchasing card payments. The reconciled procard statement along with all receipts are reviewed and signed each month by the appropriate approving authority responsible for the specific budget. Procard statement reconciliations are subject to audits by Internal Audit [14].

Separation of duties for cash handling and disbursement processing is a basic level of internal control for the University. In addition to careful separation of duties in task assignments, Banner requires controlled access to accounting information [15]. Banner requires specifically assigned authority to enter each transaction type. The Accounting Office is responsible for reviewing users' security access request for appropriateness. The system provides continuous logging so that the history of each transaction (which user entered a transaction on what date and at what time) is recorded as it is processed. This feature provides a detailed audit trail to support all transactions posted in the general ledger.

Risk Assessment and Audits

The University addresses investment risk through adhering to TBR policy 4:01:01:10, Deposit and Investment of Funds [7]. Cash and Investments are addressed in each fiscal year's Annual Financial Reports, Notes 2 and 3 [16] [17] [18] [19] [20]. TTU has a written agreement [21] with the TTU Foundation pursuant to TBR Policy 4:01:07:02 [22]. The Vice President of University Advancement [23] reports directly to the President of TTU and is also the Executive Director of the Foundation. University Advancement policy, Sections I, II, and III [24], establishes responsibilities and procedures regarding the solicitation and acceptance of gifts and the financial management responsibilities of the Foundation and the University regarding endowment funds. The TTU Foundation has an Investment Policy [25], which provides guidance for all parties bearing endowment investment and distribution responsibilities for the TTU Foundation.

The University participates in the State of Tennessee Risk Management Fund for general liability, automobile liability, professional malpractice, and worker's compensation. Risk management is discussed in each fiscal year's Annual Financial Report in Note 13 [16] [17] [18] [19] [20]. Additionally, TTU participates in an annual risk assessment. This assessment [26] includes an enterprise-wide risk assessment with multiple major process areas. Each major process area is assessed in more detail at least every three years. Financial Management is a major process area, and the risk assessment was last performed in the fall of 2013. The TBR Office of System-Wide Internal Audit monitors and administers the risk assessment process.

The TTU Internal Audit Office has overall responsibility for directing a comprehensive internal audit program for the University. The Internal Audit office prepares an annual risk-based audit plan that is approved by the TBR audit committee. The TTU Internal Audit Office employs three internal audit staff, a director, assistant director, and administrative associate. The Director of Internal Audit is a CPA [27] [28] in Tennessee (active). Both the Director and Assistant Director receive at least 40 hours of continuing education annually. The Internal Audit office reports directly to the TTU President. The Director of Internal Audit also reports functionally to the TBR Audit Committee and Board of Regents through the Director of System-Wide Internal Audit [29] [30]. Internal Audit reports (representative sample attached [31]) are submitted to the Director of System-Wide Internal Audit through the TTU
















President.























Each year, the University records are audited by the State of Tennessee Comptroller's Office, Division of State Audit, to determine compliance with federal and state laws and TBR and TTU policies and guidelines. The audit program includes a review of purchasing, payables, human resources, and property control. Findings, if any, are addressed by management, and a follow-up review is conducted by the Office of Internal Audit. In fiscal year 2010, an audit finding was noted regarding improperly reported amounts in the financial statements and accompanying notes to the financial statements [16] [32]. This audit finding was addressed and was not repeated in fiscal year 2011. In fiscal year 2011, an audit finding was noted regarding inadequate controls over two areas of Information Technology's security [17] [33]. Management took appropriate action to correct the problem. In fiscal year 2012, an audit finding regarding not recording food services contract revenue was noted [18] [34]. The revenues were corrected and appropriate actions were taken to address the issue. Another finding was noted in fiscal year 2012 and repeated in fiscal year 2013 related to inadequate access controls over the Banner computer system [18] [19] [34] [35]. However, the University had corrected one of the two conditions noted in the finding in fiscal year 2012. In fiscal year 2013, another finding was noted regarding financial aid verification [19] [35]. Management took appropriate action to correct both problems. There were no audit findings for the fiscal year ending June 30, 2014 [20] [36] [37].

Conclusion

The Vice President for Planning and Finance oversees the protocol that TTU has established for management of its financial resources. Each year, the state Comptroller's Office audits University financial records. If findings are reported, they are promptly addressed. There were no audit findings for the fiscal year ending June 30, 2014. The University has consistently demonstrated appropriate control over its financial resources and is, therefore, in compliance with Comprehensive Standard 3.10.3.

Sources

-  [01] Vice President of Planning and Finance Job Description
-  [02] Vice President of Planning and Finance Resume
-  [03] Associate Vice President for Business and Fiscal Affairs Job Description
-  [04] Associate Vice President for Business and Fiscal Affairs Resume
-  [05] TTU Organizational Chart_1_2015
-  [06] TBR Business and Finance Guidelines Index
-  [07] TBR Business and Finance Policies Index
-  [08] TTU Business and Finance Policy
-  [09] TBR Policy 4010110 Subject Deposit and Investment of Funds
-  [10] TBR Policy 4021000 Subject Purchasing Policy and Procedures
-  [11] TTU Accounting Policy Section_501 Budget
-  [12] TBR Policy 4010000 Subject Budget Control
-  [13] TTU Procurement Manual
-  [14] Internal Audit Plan
-  [15] TTU Banner Authorization Formb

-  [16] Audited Financial Statements_FY2010
-  [17] Audited Financial Statements_FY2011
-  [18] Audited Financial Statements_FY2012
-  [19] Audited Financial Statements_FY2013
-  [20] Audited Financial Statements_FY2014
-  [21] TTU Foundation Agreementb
-  [22] TBR Policy 4010702 Subject Foundations
-  [23] Executive Director Vice President of University Advancement Job Description
-  [24] TTU University Advancement Policy
-  [25] TTU Foundation Investment Policy
-  [26] TTU Risk Assessment Enterprise Risk Footprint_2014
-  [27] Director of Internal Audit Job Description
-  [28] Director of Internal Audit Resume
-  [29] TTU Policy No 130 Internal Audit
-  [30] TBR Policy 4010500 Subject Internal Audit
-  [31] Internal Audit Report Example
-  [32] 2010 Management Representaton Letter
-  [33] 2011 Management Representaton Letter
-  [34] 2012 Management Representaton Letter
-  [35] 2013 Management Representaton Letter
-  [36] 2014 Management Representaton Letter
-  [37] 2014 Management Representaton Letter Single Audit