



Washington University in St. Louis

Guide to Internal Controls

Updated February 2024

The Guide to Internal Controls was developed to help you establish and maintain effective internal controls in your department/division. This guide summarizes fundamental internal control practices for various types of transactions and situations. The examples provided are not all-inclusive of every control appropriate for each process or department but, instead, serve as an illustration of the most routine transactions/processes.

Compliance with this guide is expected and is subject to review during internal audits of your department or division. This guide should be used in conjunction with the official policies and procedures of the University.

We welcome your suggestions for future revisions of this guide. Please send comments to the Office of the Controller, Mail Stop Code 1002-414-355.

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OVERVIEW

DEFINITION OF INTERNAL CONTROL

"Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

- Operations Objectives: Effectiveness and efficiency of operations and safeguarding of assets.
- Reporting Objectives: Reliability, timeliness, and transparency of internal and external financial and non-financial reporting.
- Compliance Objectives: Adherence to laws and regulations.

-- *Committee of Sponsoring Organizations of the Treadway Commission, May 2013*

Internal controls help entities achieve important objectives and sustain and/or improve performance.

Preventive and detective controls are both essential for an effective internal control system:

- Preventive controls are proactive controls designed to prevent errors, omissions, loss, irregularities, or other undesirable events from occurring. Examples of preventive controls are separation of duties, proper authorizations, application business rules and configurations, adequate documentation, security access restrictions, and physical security over cash and other assets.
- Detective controls attempt to detect errors, irregularities, or other undesirable events that have occurred and enable prompt corrective action. Detective controls provide evidence after-the-fact that a loss or error has occurred, but do not prevent occurrence. Examples of detective controls are variance analyses, supervisory reviews of account activity, reconciliations, physical inventories, monitoring activities, and review of performance and results.

CONTROL ENVIRONMENT

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of trustees and management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the board of trustees and management governance responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance. Management must be able to answer the following questions for their control environment:

- 1) How do you know the controls are working?
- 2) If the controls stopped working, how would you know about it?

The control environment reflects the overall attitude, awareness, and actions of the University's management and employees. The University expects all employees, regardless of position, to

exhibit the highest levels of integrity and ethical behavior. The University also expects Management to demonstrate leadership behavior that promotes internal control and individual accountability.

The following are examples of the leadership behavior expected of Management:

- Promote an environment that demonstrates and reinforces ethical values and business practices and compliance with the University Code of Conduct.
- Communicate to employees that fraud and conflicts of interest will not be tolerated.
- Establish policies that describe what is expected and procedures that put policies into action.
- Communicate to employees that University policies and procedures are important and will be followed.
- Establish organization structures, job descriptions, and appropriate authorities to ensure employee roles, responsibilities and authorities are clear.
- Provide appropriate training, and make employees fully aware of their responsibilities, including compliance with internal controls.
- Monitor the internal controls system on an on-going basis.

RESPONSIBILITY FOR INTERNAL CONTROLS

Management at all levels are responsible for the establishment, maintenance, and adherence to internal controls, as well as setting the appropriate “tone” for their areas. They are responsible for the appropriate use and control of the resources entrusted to them. Management is accountable to the Board of Trustees, which provides governance, guidance, and oversight. Management is also accountable to the IRS and the funding agencies of federal and private grants and contracts. Individuals, not management, can also be responsible to federal agencies. In certain cases, an individual or management may be directly liable.

CONTROL ACTIVITIES

Control activities are tools, including policies, procedures, activities, or other mechanisms that keep risk within acceptable limits. They are essential for achieving goals and objectives and proper stewardship of resources. Control activities are performed at all levels of the University, at various stages within business processes, and over the technology environment.

Strong control activities reduce the risk of:

- failure to meet organization goals and objectives;
- business breakdowns or unexpected results;
- significant re-work to correct errors;
- inappropriate and/or untimely decisions based on inaccurate, inadequate, or misleading information;
- fraud or theft.

ROLE OF THE OFFICE OF INTERNAL AUDIT

Internal Audit plans and performs internal audits, and investigates financial irregularities. Internal audits assist management by providing independent and objective analyses of activities and controls. Audit scopes can range from a single process to all business activities in a division, department, or school. Internal Audit is not responsible for internal controls, but plays a

significant role in recommending controls and providing consultation and advice on controls.

The Controller, the Executive Director of University Compliance and Internal Audit, and Sponsored Projects Accounting are responsible for coordinating the on-campus activities of all external auditors including federal, state, and local government agencies, CPA firms, etc., and will serve as liaisons between external auditors and University departments when appropriate. If your office is contacted by any external audit agency, immediately contact the Controller at (314) 935-9853, the Executive Director of University Compliance and Internal Audit at (314) 362-4915, or the Associate Vice Chancellor for Finance and Sponsored Projects at (314) 935-7089.

SUSPECTED THEFT OR MISUSE OF ASSETS

Internal Audit is responsible for investigating financial-related fraud at Washington University. Where necessary, such investigations are coordinated by the Controller's Office, the Office of Vice Chancellor & General Counsel, Human Resources, or the University Police Department.

If you, as a member of the Washington University community, are aware of or suspect fraud, theft, embezzlement, or misuse of University assets, we ask that you report the problem to your supervisor, if appropriate, and to the Office of Internal Audit at (314) 362-4910. Any information you provide will be handled confidentially.

Reports of suspected theft, embezzlement, or misuse of University assets may also be reported on the University Compliance Office hotline at (314) 362-4998 or through the [Online Reporting Form](#). All calls to this hotline are anonymous, unless you choose to leave your name and number so that you can be confidentially contacted if more information is needed. These matters will also be investigated by the University Compliance Offices or Internal Audit.

KEY CONTROL AREAS

ACCOUNTS PAYABLE (Supplier Invoices, Supplier Invoice Requests, Expenses and Miscellaneous Payments)

- Original supplier invoices related to purchase orders (with the exception of capital project invoices processed by the Facilities offices on the Danforth or Medical School campuses) should be sent directly to Accounts Payable by suppliers.
- Best practice is to always attach supporting documentation to the Workday document. Supporting documentation not attached to a document in Workday should be retained by the department in accordance with the University's Records Management Policy which can be found on the Financial Services website (financialservices.wustl.edu) under the Other Accounting Topics section. Note: Due to the nature of CXML imported invoices, no backup documentation exists; however, if the invoice does not match the Purchase Order within tolerances, the invoice will route for approval and if the Purchase Order is over \$1,000, the invoice will require receiving. For security purposes full credit card numbers and SSNs should not be displayed. In addition, documentation that contains PHI (Protected Health Information) should not be scanned.
- Checks should always be mailed directly to the payee by the Accounts Payable department. In certain circumstances, departments can utilize the Handling Code in Workday when needing the check held for pickup from Accounts Payable or sent via interoffice mail.
- All business and business travel expenses should comply with the Business Expense Policy. The current policy can be found on the Financial Services website (financialservices.wustl.edu) under Topics / Business Expense Policy.
- Outstanding Spend Authorizations (advances) should be reviewed periodically to ensure the Spend Authorizations are substantiated via Expense Reports on a timely basis.
- Payment requests to foreign officials should comply with the Foreign Corrupt Practices Act Policy which includes ensuring that contracts with foreign parties contain anti-corruption provisions and performing due diligence prior to establishing a relationship with a foreign intermediary. The current policy can be found on the WU Global website (global.wustl.edu).

WORKDAY CUSTOMER ACCOUNTS

- Customer invoices should be submitted and approved in Workday to record revenue and accounts receivable in the university financial statements. Invoices should be sent at the time payment is requested from the customer. To ensure accurate financial reporting, departments should process invoices in a timely manner.
- All customer invoices and request for payments should instruct the customer to send payments directly to the customer accounts receivable lockbox. Checks should not be sent to departments.
- Departments should record a cash sale when payment is received for non-invoiced items (one-off payments). A cash sale should not be recorded for payments made on customer invoices or regular business that should otherwise utilize the customer invoice process.

- Customer refunds are initiated by the collection specialist in the billing department and approved by the customer accounts manager. The customer accounts manager will not approve refunds to customers with an outstanding balance, but may make exceptions on a case by case basis. All refund requests must contain supporting documentation that outlines, in detail, the reason for the refund amount requested.

ASSETS, MINOR EQUIPMENT, & INVENTORY

- Assets, including cash, gift cards, major and minor equipment, inventory, parking permits, etc., should be tracked, physically secured, safeguarded from unauthorized access, use, or theft, and reconciled. Emphasis should be placed on equipment and supplies that could be used or easily sold for personal benefit, such as cameras, laptops, printers, etc. Examples of access controls to safeguard assets include locked doors, filing cabinets, drawers, and safes. The number of individuals with access to the keys or lock combinations should be limited. Keys and combinations should be changed when employees with access to significant assets terminate employment.
- Asset registration in Workday should be completed by the Coordinating Cost Center timely. In addition, online fixed asset records should be updated regularly, including asset disposals, asset transfers, and change in locations. The Coordinating Cost Center is responsible for timely updates to the University fixed asset records for all equipment in their possession.
- Property and Equipment Accounting, with the assistance of a third party consulting firm, performs a partial physical inventory of moveable equipment assets each fiscal year. New equipment assets are tagged during these inventories. The University's fixed asset records are updated following the completion of each inventory and tagging process. Discrepancies are investigated and resolved. Business Managers are responsible for timely review of their department(s) bi-annual asset disposal reports received from Property and Equipment Accounting, for reasonableness and accuracy.
- Departments that have significant amounts of gift cards, minor equipment, supplies, parking permits, and similar assets should maintain a perpetual inventory of items on hand. Gift cards should be purchased in quantities to last approximately one to six months. Six months is an acceptable timeframe for holding gift cards for study participants and blood donors and one month for holding gift cards for all other purposes. Items received into inventory should not be expensed when received but recorded to a balance sheet account and expensed only when issued for use. For study participants and blood donors, all gift cards greater than \$100 must be reported to the Tax Department. Gifts, Prizes and Awards must be reported to the Tax Department for IRS compliance on all non-study participants. A Gift, Prize, or Award Form must be completed within the same calendar year a gift card is distributed. Further information, including this form, can be found on the Financial Services website (financialservices.wustl.edu) under Business Expense Policy / Travel & Non-Travel Business Expenses / Gift Cards.
- Periodically, a person who is independent of the gift card, minor equipment, supplies, parking permit, and similar asset purchasing and inventory custody functions should physically count the inventory items. A comparison of inventory counts to the department's perpetual inventory "book" records should be performed and all differences investigated.

Missing items should be investigated, resolved, and analyzed for possible control deficiencies. “Book” records should be adjusted to the physically counted quantities if missing items cannot be located. Significant shortages should be reported to the Controller. Proper segregation of duties needs to be monitored for these types of inventory items. For instance, the same person should not purchase gift cards, maintain their inventory records, and distribute them to the recipients such as research subjects. See [Suspected Theft or Misuse of Assets section](#).

- Inventory items received and issued should be recorded timely and reconciled regularly so that the current “book” balance is always known.

CASH, CHECKS, and CREDIT CARD HANDLING

- A manual or electronic log of all cash, checks, and credit card payments received should be maintained by an employee without initiation/recording or bank deposit responsibilities. This log should list the amount received, the date payment was received, its form (cash, check, or credit card), the payor, and the purpose of the payment. If the department uses remote deposit, the bank report that is generated after scanning is acceptable as the log. The log should be reconciled to the applicable account in Workday by someone other than the person who maintains the log. For clinical areas that have payments that need to be applied into the Epic billing system, the log should be forwarded to Physician Billing Services (PBS) the next day. All payments collected by clinical departments are logged into the Epic system; cash, checks, and credit cards. Cash and checks are tracked through a user’s cash drawer in Epic which should be reconciled daily by the user. It is the user’s supervisor’s responsibility to confirm that cash and checks are balanced to the user’s cash drawer and to prepare cash and checks for bank deposit. If the clinic does not have deposits automated in Workday, the supervisor should complete the cash sale in Workday and record the cash sale number in Epic within the deposit tool. That cash sale number should also be recorded on the deposit slip prior to making the bank deposit. PBS Accounting Services is responsible for reconciling credit cards daily for payments collected through Epic.
- Receipt forms should be used for over-the-counter payments received, regardless of payment type (cash, check, or credit card). One copy should always be provided to the payor and one copy should be kept by the department, except when the department uses a computerized point-of-sale system.
- Large payments would typically be expected to be processed via check, electronic funds transfer, or credit card. Receiving large amounts of cash amplifies the related risk of loss, theft, or support of money-laundering activities. Physical cash payments received in excess of \$5,000 should be flagged and reported to the Controller for monitoring. Cash payments received in excess of \$10,000 require special reporting to the IRS.
- Checks should be restrictively endorsed immediately upon receipt by stamping or writing “For Deposit Only, Washington University” (or other applicable affiliate company) on the back of the check. For remote deposits, the check scanner will endorse the check.
- Cash, checks, and credit card information should be kept in a locked, secure, and restricted facility, such as a drawer or safe, until deposited. Limit who has access and keys/combinations to the locked facility. For security purposes, full 16-digit credit card

numbers should not be retained; only the last four digits should be retained. Any department accepting credit card payments should comply with the PCI DSS (Payment Card Industries Data Security Standard). For information on PCI DSS, contact the Campus Commerce Administrator at 314-935-4370.

- Normally a cash sale in Workday should be entered and deposits should be made within 24 hours of the time the monies are received. If minimal dollar amounts are received, deposits should be made weekly unless amounts total \$500 before the next scheduled weekly deposit. Clinical operations should enter cash sales in Workday daily and deposit money within 24 hours of the time received.
- An employee with **no cash handling responsibilities** should verify that the amounts actually deposited equal the amounts from the log or receipts, not from the cash sale. This will detect any missing funds.
- A bank lock-box or remote check deposit system should be requested if large volumes of cash and checks come to the department. Contact Treasury Services for a lock-box and Cash & Credit Operations for remote deposit.
- In clinical areas utilizing paper fee tickets, an employee with no cash handling responsibilities should verify that all original fee tickets are collected, including those for cancellations, “no-shows”, and post-op visits. Persons who receive cash and check payments should not enter patient charges nor be responsible for clearing the Missing Charges Report items. Cancellation and no-show fee tickets should be compared periodically to patient medical records for consistency.
- No individual school, department, or division should have their own bank accounts.
- Only Treasury Services is authorized to establish new bank accounts. All bank accounts should be under general ledger control.

DATA CONTROLS

Strong data control is essential for proper protection of data and accurate reporting. Special attention should be paid to business critical, sensitive, or complex data.

Examples of data controls include:

- Accuracy: Formulas, report logic, and database queries should be reviewed periodically to ensure correct computations and accurate results. Key formulas, computations, and queries should be protected from accidental loss or change.
- Restricted Access: Files (databases, spreadsheets, etc.) containing sensitive data should be password protected and/or located in controlled directories. Access to controlled directories should be periodically reviewed and appropriately limited.

GIFT RECEIPTS

- Individuals opening the mail should not have access to process gift related transactions to donors' records in the university's gift system.

- Checks should be restrictively endorsed upon receipt. Endorsed checks and cash should be forwarded immediately to Advancement Services. A record of incoming cash and check receipts should also be maintained.
- The department's record of incoming gift checks and cash should be reconciled to the University's gift system by an employee without initiation/recording or custody responsibilities to ensure all amounts have been received and deposited.
- Advancement Services should be notified upon receipt of non-cash gifts. Appraisals of non-cash gifts must be made by an outside appraiser and must be paid for by the donor.
- [See Cash, Checks, and Credit Card Handling.](#)

INTERNAL SERVICE DELIVERIES (ISD)

- Internal Service Providers should prepare Internal Service Deliveries timely.
- Receiving department should approve Internal Services Deliveries timely.
- All policies should be reviewed in connection with internal billings. Government grants and contracts cannot be charged more than the cost of services or products. This is further explained in the University's Recharge Service Centers Policy which can be found on the Financial Services website (financialservices.wustl.edu) under the Other Accounting Topics section.

PASSWORDS AND SYSTEM ACCESS

- Passwords should not be shared with another person or posted. Under no circumstances should an approver's password be shared with another person.
- Passwords should follow University guidelines.
- Workday system access will be removed or adjusted upon an employee's termination, transfer, or change in position.
- Schools, Divisions, and Departments are responsible for coordinating reviews of systems unique to their area at least annually.

PAYROLL/HUMAN RESOURCES

- In order to comply with federal Wage & Hour requirements, employees in positions classified as **non-exempt** are required to maintain time tracking and absence records. Employees are to report actual hours worked and other paid and unpaid time off (vacation, sick, etc.) in accordance with Department policy as documented below.
- Non-Exempt employees are required to record actual hour's worked and other paid time off through the Time Tracking system (via Web Clock in WD or Physical Time Clocks). Employees are to accurately record time and attendance which is then approved by their

supervisor or appropriate designee. The Time Tracking system is a legal record of the hours an employee is at work and paychecks are based upon the time record.

- Overtime for employees in positions classified as non-exempt must be paid at time and one-half of the regular hourly rate for any hours worked beyond 40 in a work week; hours worked up to 40 in a work week are to be paid at straight time. Consistent with federal wage and hour requirements, compensatory time off is not permitted in lieu of overtime payment. This is not applicable for those in the collective bargaining unit whose contract pays overtime differently.
- The advance approval of a supervisor must be obtained before overtime occurs.
- Access to payroll information is limited to only authorized individuals with the proper security role or with a legitimate business purpose.
- Employees must be paid at least minimum wage by law. Benefits eligible employees must be paid at least the amount of the University's entry level wage. Human Resources makes the determination regarding eligibility to be paid the University's entry level wage.
- Children under the age of sixteen may not work at Washington University during the regular school term unless and until the Office of Human Resources receives a work permit.
- Direct deposit of paychecks is strongly encouraged.
- If you have employees who have not elected to have their paychecks direct deposited, actual payroll checks are to be distributed by someone other than the individuals who enter or approve payroll. Live checks are mailed to the home. For more detail contact Jim Robertson, Director of Payroll Services.
- All unclaimed payroll checks must be returned to the Payroll Department if they are not claimed within 30 days. Unclaimed checks should never be given to the individuals who enter or approve payroll. For more detail contact Jim Robertson, Director of Payroll Services.
- Requests for wage information should be directed to The Work Number®. Requests can be made electronically at www.theworknumber.com or by phone, at 1-800-367-2884. Requests may also be forwarded to the Office of Human Resources.
- In compliance with federal regulations, Form I-9 (employment eligibility verification) must be completed by the employee at the time of hire (by the first day of work for pay). Documents verifying identity and employment authorization must be provided by the employee within three business days of the date employment begins. Once a hire is entered into the Workday system, an automated e-mail notification is sent to the employee requesting they sign into Workday using their WUSTL key and complete and verify the information in section one of Form I-9. Once the employee has completed section 1, an automated e-mail notification is sent to the I-9 Partner requesting he/she complete section 2. I9 document verification is required in person with the I-9 partner in HR (must be complete by 3rd day of work). If employees are remote (more than 50 miles from One Brookings Dr.) the remote I9 process will be started with instructions.

- Payroll for foreign nationals requires special documentation. Contact the Office of International Students and Scholars (314-935-5910).
- All court-ordered garnishments should be forwarded immediately to Payroll Services. Any child support orders or tax levies should be forwarded to the Office of Human Resources on the Medical School Campus for Medical School employees or to the Office of Human Resources at The Link on the Loop for Danforth Campus employees.
- The U.S. Internal Revenue Service has rules defining independent contractors and employees. University guidelines are available to help determine the classification as an employee or independent contractor. These guidelines, questionnaire, and other important information can be found on the Human Resources webpage at <https://hr.wustl.edu/items/independent-contractor-status/>. Departmental representatives should review applicable Workday reports, such as RPT5961 - WU - Pre-Payroll Results for Supervisory Organization and RPT6357 – WU – Unapproved Time Off Requests, among others, every pay period to ensure correct payroll expense.
- Departments are responsible for running and reviewing RPT6678 - WU - Active Workers with No Pay Results in coordination with RPT5986 – WU – Workers with no Time Entered on Primary Position to help identify inactive employees who should be moved to an inactive status, short work break status, or terminated promptly.

CHANGE FUNDS

- Change funds should be kept in a locked, secure place. Access to the funds should be restricted to the custodian and a back-up person. Funds should be disbursed only by the custodian (or a back-up person in the custodian's absence).
- Periodic, surprise counts of the change fund should be performed by someone other than the custodian, such as a supervisor. These periodic counts should be documented and the documentation maintained in conjunction with the record retention policy. In the event of an unexplained change fund shortage, see the [*Suspected Theft or Misuse of Assets*](#) section in this guide.

PURCHASING

- All purchasing transactions must be in compliance with purchasing policies including the conflict of interest policy. Purchasing policies are available on the Resource Management website at resourcemanagement.wustl.edu.
- The Supplier Selection Justification form along with verification of cost (quote, sales order, or other similar document) and competitive bids, if applicable, must be forwarded by the department to the Purchasing Department in advance of any purchase of \$25,000 or more or of \$10,000 or more when sponsored funds are utilized.
- Purchase orders should be obtained in advance of purchases.
- The practice of using personal funds for University purchases and seeking reimbursement

should be discouraged.

- Sales tax should not be incurred (other than in states in which the University does not have an exemption). Copies of the Missouri sales tax exemption letter, and other states in which the University has received an exemption, can be obtained online on the Financial Services website (financialservices.wustl.edu) under the Tax Topics section.
- The use of University purchase orders, supplier invoice requests, procurement cards, or other University payment methods to acquire goods and/or services for personal use is not permitted, even if the employee plans to reimburse the University.
- The use of the University's preferred suppliers should be encouraged in order to receive special rates based on negotiated contracts between the University and the supplier. The current preferred supplier list can be found on the Resource Management website (resourcemanagement.wustl.edu) under Preferred Suppliers.
- Purchase orders should not be issued to employees.
- Purchases exceeding \$500 at all Washington University campus bookstores require a purchase order
- Line item purchase orders rather than blanket orders should be used whenever possible. Purchase orders reduce the risk of duplicate payment and provide approval of specific items.
- Invoices related to vendor contracts and leases should be monitored for compliance with contract terms to avoid overpayments.

RECONCILIATIONS

Broadly defined, a reconciliation is a comparison of different sets of data to one another in order to ensure the accuracy and completeness of transactions. Integral parts of the reconciliation process include identifying and investigating differences, and taking corrective action, when necessary, to resolve differences. Reconciliations are a critical detective control. Examples of cash and payroll reconciliations that should be performed by departments are:

- Reconciling the dollar amount of cash and checks received per the cash receipts log maintained by the department to the dollar amount actually deposited and recorded.
- Reconciling actual payroll expenses recorded in Workday to expected payroll expenses.
- Reconciliations should be documented, performed timely (by an employee without custody or approval responsibilities), and approved by management. Supervisors should sign/initial and date all reconciliations indicating their review. Other electronic means of approval are also deemed acceptable (i.e. email approval with reconciliation attached, DocuSign, Adobe e-signatures, etc.)
- Procedures should be in place to ensure that reconciling items are resolved timely.
- All supporting documentation should be maintained in accordance with the records management policy.

RECORDS MANAGEMENT

- The University has adopted a Records Management Policy to meet the administrative, legal, financial, research, and historical needs and requirements of the University. All records should be maintained and disposed of in accordance with this policy. The current policy can be found on the Financial Services website (financialservices.wustl.edu) under the Other Accounting Topics section.

REVIEWS BY MANAGEMENT

- Budget to actual expense comparisons, where applicable, should be performed and significant differences investigated promptly.
- Transactions, records, and reconciliations should be routinely reviewed to ensure expectations are met as to timeliness, completeness, segregation of duties, propriety of the transaction, etc.
- Periodic review of donor restricted funds should be performed to ensure transactions are consistent with donor intentions.
- Unexpected results or unusual transactions should be immediately investigated as they might be indications of theft or fraud. Ask for explanations of unexpected results and ask for reasons for unusual transactions. Question the explanations and reasons if they don't seem reasonable and/or visually inspect unusual purchases, etc. [*See Suspected Theft or Misuse of Assets section in this guide.*](#)
- Reviews of reports and reconciliations should be documented by initialing, dating, and briefly indicating the resolution of any follow-up performed on unexpected results or unusual transactions.

SEGREGATION OF DUTIES

Segregation of duties is one of the key concepts of internal controls and is often the most difficult to achieve. Segregation of duties reduces the risk of errors/omissions, losses, as well as fraudulent activity. The basic idea underlying segregation of duties is that no employee or group of employees should be in a position to perform all key functions of a transaction or event. In general, combinations of two or more of these functions are considered incompatible duties, and should be segregated:

- Initiation/Recording
 - Custody
 - Control Procedures (reconciliations or monitoring)
 - Approval
- To achieve appropriate segregation of duties, no one person should:
 - Record transactions and reconcile balances
 - Order and receive goods
 - Handle cash and verify deposits
 - Initiate/enter and approve the same financial transaction
 - Enter or approve requests for payments

- Handle assets and reconcile perpetual records to physical counts

In instances where segregation of duties may not be practical, compensating controls such as independent verifications, reconciliations, or other reviews should occur regularly to mitigate the risk of errors, omissions, or irregularities.

TRANSACTION APPROVAL

- Transaction review and approval is an important control activity. 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 University policies and procedures.
- Approval authority should only be given to individuals with sufficient authority and knowledge to recognize and challenge unusual transactions. All unusual items should be questioned.
- Upside down electronic approvals, approvals in which the approver is subordinate to the employee payee/beneficiary, are common on Workday expense reports as a result of the separation of departmental hierarchies into Supervisory Organizations and Cost Center management. However, it is critical for supervisors to periodically review the transactions of subordinates dealing with employee related transactions.
- A person should never approve a transaction for which they are the payee.
- If the approver notes any transaction(s) that, after investigation, is not a legitimate department expense, they should contact their supervisor. [See Suspected Theft or Misuse of Assets section in this guide.](#)
- Approval authority should be delegated to officers and employees of the University in accordance with the Omnibus Delegation of Signature Authority policy. Omnibus Delegation of Signature Authority should be reviewed at least annually and updated when employee turnover occurs or as business needs change. The Omnibus Delegation of Signature Authority can be found at <http://ogc.wustl.edu>.
- Before a transaction is approved, approvers should
 - review supporting documentation, ensuring that necessary information is present to justify the transaction
 - verify the accuracy of the revenue categories, spend categories, expense items, and all other applicable worktags
 - ensure "unallowables" are not charged to grants or contracts, if applicable
 - ensure expenses are consistent with donor intentions and restrictions, if applicable
 - ensure payments to foreign officials (which often includes foreign hospitals and universities) are properly supported to satisfy the due diligence requirements of the Foreign Corrupt Practices Act, if applicable
 - question unusual items (suppliers/payees or transactions) such as:
 - Invoices
 - Is it reasonable to receive an invoice from the business and does the charge have a valid business purpose?

- Do I know the invoice has not been paid?
- Do I have first-hand knowledge that the supplier/payee exists?
- Did the supplier/payee actually provide the goods or service identified in the invoice? Does the price and quantities seem reasonable?
- Does the charge follow donor intentions?

Procurement Card

- Is it reasonable, allowable, and necessary considering the University's policies, culture, and locations including valid business purpose?
- Could the item be purchased for personal use?
- Was a capitalized asset or non-consumable purchased?
- Would this purchase normally require a Purchase Order? Are costs split to avoid supplier justification?
- Do the price and quantities seem reasonable?
- Do receipts show the date, name, address, and phone number of the supplier?
- Does the purchase location make sense? Or was the purchase date and time unusual?
- Was the item returned and credited to the ProCard?
- Is ProCard spending in line with the supervisor's expectations and budget?
- Are quantities of gift cards purchased expected to last approximately one month to six months? A quantity of approximately 6 months is for gift cards purchased for study participants or blood donors and a quantity of approximately one month is gift cards for all other purposes.

Travel

- Is it reasonable for the person claiming the expense?
- Is the business purpose valid?
- Are charges reasonable considering the University's policies, locations, and culture?
- Does each expense make sense given the type of travel?
- Verify advances (spend authorizations) are reconciled to actual expenses on a timely basis.
- Are there duplicate expenses?
- Are any expenses duplicated on multiple expense reports?
- Is per diem abused? Compare with dates and times of travel
- Verify if meals were included by the conference.
- Is there an unusual volume of 'cash paid' transactions normally charged to credit cards?
- Are currency exchange calculations accurate and consistent with organization policies?
- Does mileage tie to vehicle logs and normal commuting mileage deducted (if required by policy)?
- Are receipts or other support attached for every item claimed (in accordance with policy)?
 - Do the receipts show the date, name, address, and phone number of the vendor?
 - Are hand written receipts appropriate and reasonable (taxis, minor meals, supplies)?
 - Are meal receipts itemized showing food, alcohol, and entertainment charges separately?

- Were any items claimed for reimbursement that are specifically prohibited by policy (e.g., dry cleaning, hotel room movies, hotel upgrades, cover charges at clubs)?
- Where appropriate, verify that the place of business actually exists (e.g., call the phone number printed on the receipt).
- Has anything on the receipts been altered or 'whited-out' (dates, amounts, vendor name, other fields)?
- Review the detailed bill (restaurant receipt evidencing what was ordered), not just the credit card slip.
- Review the frequency of charges just under the level where receipts are required. Look for the possibility of split charges to avoid documentation requirements.