
FISCALLY FIT

News from the Controller

January 2008

FINANCIAL INFORMATION MANAGEMENT

On-Line Requisitions are coming

The electronic requisition application is now in AIRS for review and testing. Please log on and check it out. The current application allows attachment of supporting documents, budgetary review of accounts, and validation of required fields. On-line requisitions, along with a routing hierarchy, are the first steps toward a workflow system for handling administrative business.

Financial Information Management is currently reviewing administrative business processes for additional candidates to convert to on-line processing. If you have ideas or comments, please email FIM@okstate.edu.

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GRANTS & CONTRACTS

Department of Defense Spending in 2008

According to the Chronicle of Higher Education, Department of Defense spending on basic research received a 4.5% (\$70.1 million) increase in appropriations in 2008. Most of the \$70 million in new money was “non-earmarked” grants called University Research Initiatives. The awards will be released on a competitive basis.

NIH reviews Awarding Practices

National Institutes of Health will take a harder look at proposals, and it may impact almost \$15 billion dollars for college and university research programs. The NIH is the United States’ single largest funding source for academic research. Over the past several months many researchers have called the agency’s funding practices into question, citing arbitrary and overly-critical evaluation processes (Chronicle of Higher Education, 2007).

Some complaints may be the result of increased competition through greater numbers of proposals when compared to the agency’s modest budget support. The 2007 success rate for a scientist’s first proposal attempt at NIH is 12% compared to 28% in 1998. Though researchers can submit a proposal up to twice after the initial rejection, the success rate for proposals remain near 20%.

The declining success rate, coupled with researchers’ complaints, has caused NIH to reconsider its awarding practices. Though the Agency believes more money would help the success rate of proposal applications, more money will only increase applications. More help needs to be put into the awarding process rather than budget funding.

Ref:Chronicle of Higher Education December 7, 2007
– J Brainard

Laboratory Safety and Biodefense Research

According to the Chronicle of Higher Education, there have been 51 incidents at academic research facilities since 2003 involving select agents or toxins that have been reported to the Centers for Disease Control and Prevention. The incidents involved a wide variety of select agents and toxins and were caused by wide ranging issues including packages lost in transit, poor record keeping, or accidents.

Lab safety has received national attention over the past several months since the Centers for Disease Control suspended biodefense research at Texas A&M. The CDC based the decision on the University's failure to report accidental exposure of four researchers to *brucellosis* and *Q fever* (Keim, 2007). The lab incidents were exposed by the "Sunshine Project", a non-profit organization based in Austin, Texas. Texas A&M was attempting to secure a biodefense lab sponsored by the Department of Homeland Security. However, the bid, scheduled to be awarded in 2008 could look grim for Texas A&M (Ramshaw, 2007).

Since 2001, Biosafety Level 3 and 4 labs have received federal appropriations of nearly \$1 billion, but the influx of federal dollars and growth of these labs, especially biodefense labs, have stretched capacity. While the CDC is charged with monitoring select agents that pose threats to human health and the USDA provides oversight to agents that affect animals and plants, biodefense lab safety monitoring is spread among several agencies leaving no single agency with full authority for monitoring laboratory activity (Field, 2007).

While other institutions have experienced laboratory missteps, the attention created by the Texas A&M incident will more than likely increase the scrutiny of all university-based biodefense laboratories. This will, in all likelihood create additional effort and cost upon the institutions running BSL-3 and 4 laboratories (Field, 2007).

Dr. Steve O'Geary, Trena Blagden, and Jennifer Nangle welcome any questions or comments regarding Oklahoma State University's laboratory safety program. They can be contacted at the Office of Research Compliance (405)744-0405. The Office of Research Compliance also requests any contact made by the "Sunshine Project" be directed to Dr. O'Geary.

Ref/Excerpts:

Field, K., *Chronicle of Higher Education* October 19, 2007

Ramshaw, E., *Dallas Morning News* July 1, 2007

Keim, B., *Wired Science* July 6, 2007

GCFA Connection, November 2007

Congress considers Legislating Endowment Spending

Congress is considering legislation that would require colleges and universities to spend at least 5% of that money each year. On average nationally, colleges spend 4.6%. Washington's premise is that by requiring the institution to increase its endowment spending the student's financial burden will ease as well as increase the institution support of research with less demand on federally sponsored programs.

Dana Mead and Jeremy Jacobs believe this is a short-sighted solution offered by Congress. Mead and Jacob posit that 1) as much as half of an institution's annual operating fund comes from its foundation or advancement office; 2) Congress has not considered the restricted nature of many gifts; and 3) endowments cannot predict that future earning will be as successful as in past years.

Ref: Mead and Jacobs Chronicle of Higher Education November 9, 2007

UNIVERSITY ACCOUNTING

Payments for Honorariums

Departments wishing to pay honorariums must include a description of the service provided and the date that the service was provided.

Interest on Late Payments

The guidelines established by the Office of State Finance, in conjunction with the Oklahoma Statutes, allow for the payment of interest on late payments as follows: "If an agency fails to make payment to a vendor within forty-five days of receipt of proper invoice, the vendor shall be entitled to claim interest. The rate of interest is annualized and computed on a 360-day calendar, per \$100 per day. The rate of interest may change on July 1st of each year. All state agencies are notified of the interest rate at the beginning of each fiscal year."

A link to the letter disclosing the new interest rate for FY2008 can be found on the Purchasing web site at the following address: <http://purchasing.okstate.edu/Notices.htm#LatePaymentsToVendors>

A vendor must claim interest within ninety (90) days of receiving payment by submitting a proper invoice which shall itemize all calculations for interest claimed.

2008 Standard Mileage Rate

Effective January 1, 2008, the IRS increased the standard mileage rate to 50.5 cents per mile for business miles. This change in the mileage rate has been confirmed with the Office of State Finance.

PAYROLL

Salary Deferral/Payback Program Changes

The new updated Salary Deferral/Payback Program document and form are now available on the web at <http://vpaf.okstate.edu/PayrollServices/DownloadGuidesAndForms.htm>. Click on Salary Deferral/Payback Program at the end of the Payroll Processing Department Forms.

The document contains information about how the salary deferral/payback program works along with the new rules and regulations. According to the IRS, income paid to employees over a longer period than the period during which they work (for example, faculty working nine months and being paid over 12 months) is nonqualified deferred compensation (NQDC) under Section 409A.

There are two changes in the program that have the most effect on OSU employees. First, current employees cannot sign up for the program after June 30 for the following fiscal year and new employees must sign up within the first 30 days of employment. There will be no late sign up for the program. Second, the election is irrevocable for that fiscal year or an additional 20% tax penalty will be incurred.

This document should be provided to faculty and should also be included in the information given to new faculty as part of the sign-up packet. Payroll Services will be sending out letters to current faculty sometime in April.

Review the documents at the website above and call Jan Pratt in Payroll Services at 405.744.6372 if you have any questions.

W2 Information Sheet

An information sheet of "Everything You Ever Wanted to Know about W-2s" is provided on the web at <http://www.vpaf.okstate.edu/PayrollServices/>, then click on W-2 Information for Employees in orange type.

This document explains the W-2 process and explains what is in each box of the W-2. This is a good reference tool for employees with W-2 questions. Please refer employees to this document. If they have additional questions regarding the W-2, they may contact Payroll Services at 405.744.6372.

PURCHASING

Internet Purchases with Pcard:

If you have an OSU account and a personal account with internet suppliers such as Amazon.com, make sure your purchase is being charged to the appropriate credit card.

We have had several cases where personal purchases were charged to the OSU Pcard, and cases where OSU purchases were charged to a personal credit card. Correcting these types of mistakes can be time consuming and challenging for the cardholder.

Be sure to review the credit card information before you finalize the order.

Important Dates

Board Dates:

- Requisitions requiring Board of Regents approval (greater than \$150,000) are due in Purchasing February 13, 2008, for the March 7, 2008 Board Meeting.

Pcard Training:

- February 20, 2008, 8:30 AM, 412 Student Union.

Purchasing Policies and Procedures Seminar:

- January 24, 2008, 9:00 AM, 412 Student Union

You may register for either of these sessions by calling Human Resources at X5374, on the Human Resources web site at http://fp.okstate.edu/hrosu/training_enroll.htm, or by Email: osu-trng@okstate.edu.

The Purchasing Department is available to conduct purchasing training on an as needed basis to departments and colleges. Please contact Purchasing at X5984 to schedule a date.

Purchasing can be contacted at:

Phone: 405-744-5984

Fax: 405-744-5187

Email: purchase@okstate.edu

Website: www.purchasing.okstate.edu

BURSAR

Bursar News

The first bursar billing statement for the Spring semester will be generated February 1, 2008. In efforts to assist our students in meeting financial obligations, Oklahoma State University offers an in-house administered payment option plan (POP) as an alternative to the traditional lump-sum payment method. This plan provides an opportunity for families and students to pay University-billed expenses in regular monthly payments either by the semester or annually. No finance charges are associated with the payment option plan or enrollment holds if payments are made as promised.

Visit our website link for the POP application:
<http://bursar.okstate.edu/forms/osupop.pdf>

Also available is the bursar information handbook:
<http://bursar.okstate.edu/forms/BursarCatalog.pdf>

1098-T and 1098-E statements will be mailed by January 31, 2008.

Collection efforts will begin for non-student bursar accounts after drop/add, which is the latter part of January.

Purge

The Financial Information Management (FIM) office purged B/R transactions from the SIS system. All transactions paid and applied, billed, and fed to accounting through December 31, 2007 were purged from SIS. By purging now, removal of a large number of records eliminates issues with running reports and displaying data on the screens. The purged records cannot be accessed via SIS but are available to view/download to excel via the Administrative Information Report System (AIRS) at: <http://airs.okstate.edu>.

Access to purged records within AIRS can be requested by emailing fim@okstate.edu and will be granted based on current SIS B/R access levels.

Electronic Departmental Deposit Module via AIRS & Drop Off Depositing for the Stillwater Campus

If monies are accepted at campus departments, it is the department's responsibility to ensure internal controls and segregation of duties are in place and followed. Internal Audit and the forensic accountant will be notified by the Office of the Bursar if irregularities are suspected.

The departmental deposit on-line entry feature located at the AIRS website <http://airs.okstate.edu/> is now required to process Financial Records System (FRS) deposits. Benefits of on-line entry include electronic archival of deposits, faster processing, and a search mechanism that provides the ability to search by receipt number, total amount of deposit or amount of tender within a deposit. Please contact Gaylene at gaylene.hargrove@okstate.edu if you would like further information.

Departments now have an alternative to waiting in line at the cashier's window with our "drop off" option. Drop off depositing may be used in conjunction with the departmental deposit on-line entry feature. The depositing department prepares the FRS deposit in AIRS (Administrative Information Reporting System) & delivers a locked bank bag to the Office of the Bursar. The deposit is processed and the empty bank bag containing a receipt is retrieved by the department the following day.

RISK & PROPERTY MANAGEMENT

Rental Space

OSU Rental Property has a 6,000 square foot metal building with 10 acres of land for lease. The building has propane heat, city water, and a septic system but no air conditioning. The address is 8209 West 6th, Stillwater. If your College or Department has need for rental space or is interested in finding out more information, please contact Mr. Chuck Fleischer at 744-3855. If no University need is identified, this building will be offered to the general public for lease beginning January 31st.

TRANSPORTATION SERVICES

Hybrid and Alternative Fuel Vehicles

Transportation Services is researching hybrid and alternative fuel vehicle options to include in the daily and monthly lease fleet. The Toyota Camry hybrid sedan and the Ford Escape hybrid utility vehicle are available to purchase on state contract. Many other alternative vehicle options are available for those interested in finding a specific vehicle for their application. We can also assist in gathering information on the alternatives to help simplify the selection and acquisition process. Departments interested in purchasing or leasing a hybrid vehicle can contact Transportation Services at 744-7945.

FRAUD DETERRENCE & COMPLIANCE PROGRAM

Billing Schemes

Billing schemes include any scheme in which a person causes his or her employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices, or invoices for personal purchases. According to the 2006 Report to the Nation on Occupational Fraud and Abuse, billing schemes were the most common form of fraudulent disbursement and occurred in 28.3% of all asset misappropriation cases in the study. These schemes were also the most commonly reported form of asset misappropriation in the Education industry, occurring in 35.6% of those cases.

Common billing schemes include:

- Invoicing through Shell Companies – A shell company is created to collect proceeds from false billings. Once the shell company is created, the fraudster will establish a bank account and will invoice in the name of the shell company for fictitious goods or services.
- Pass-Through Schemes – A fraudster will use a shell company to purchase actual goods at regular prices, then resell these goods to their employer at inflated prices.
- Personal Purchases – An employee will find an area without strong internal controls and will take advantage of it. The employee will process unsanctioned invoices for personal purchases, will misrepresent the nature of items on purchase requisitions, or will make personal purchases on their organization's credit card or open/running account.

Preventing billing schemes can be accomplished through a combination of the following actions.

- Review internal control policies and procedures in your department and monitor for compliance
- Remove opportunity
- Ensure there is a proper segregation of duties
- Make sure employees in your department are properly trained
- Make approvers aware of the fact that the use of Pcards make the personal purchase schemes easier to perpetrate
- Review your accounts for unusual or expected activity and investigate

- Don't be a "rubber stamp" supervisor – Ask questions
- Require proper documentation, watch for false documentation / invoices, investigate any invoice that appears to have been altered, and verify that services were actually rendered
- Report fraud and/or suspicious activity

Fraudulent financial activity or suspicion of fraudulent financial activity is to be reported to the Office of the Associate Vice President and Controller. This activity can be reported directly to the OAVPC (207 Whitehurst, 405-744-4188) or reported confidentially through EthicsPoint.

Sources:

Executive Roadmap to Fraud Prevention and Internal Controls, M. Biegelman, J. Bartow
Fraud Auditing and Forensic Accounting, T. Singleton, A. Singleton, J. Bologna, R. Lindquist
2006 ACFE Report to the Nation on Occupational Fraud & Abuse

Contact Brenna Dixon, CPA, CFE (744-2296, Office of the Associate Vice President and Controller, 207 Whitehurst) for additional information, comments, or questions about fraud deterrence and compliance issues.