

2007 Self-Assessment of Controls Results

Results for Campus/Unit Your Department Name

These results have e-mailed to your department head, Your Department Head's name. You can use the Print function on your Web browser to obtain a copy of this page.

Fiscal policy may be referenced at the following URL: <http://www.tennessee.edu/policy>

<p><i>Question 1:</i> Does a department employee physically observe all equipment on the inventory list during the annual verification of equipment and report any discrepancies (including location changes and items not on the inventory list)?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Equipment items purchased or disposed of inadvertently or fraudulently may not be detected in a timely manner. Also, the department's equipment inventory list may not be accurate.</p> <p>Corrective Action: Assign an employee to physically observe all equipment on the inventory list during the annual verification of equipment. In addition, ensure that all equipment items on hand costing \$5,000 and above or sensitive minor equipment items are listed on the Controller's Office printout and that all items removed from the department's inventory are no longer on the printout. [Policy FI0605, 5.j.]</p>
<p><i>Question 2:</i> When equipment items are found to be missing university tags, are duplicate tags requested from the Controller's Office (or appropriate campus office) and attached to them?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Allowing university equipment items to remain untagged for a long period of time increases the risk of misappropriation or improper disposal.</p> <p>Corrective Action: When equipment items are found to be missing university tags, request duplicate tags from the Controller's Office (or appropriate campus office) and attach them to the items. [Policy FI0605, 5.g.]</p>
<p><i>Question 3:</i> When new equipment is entered in IRIS, is either the serial number or "N/A" (for those without one) entered in the serial number field on the asset record?</p> <p><i>Your response:</i> No</p>	<p><i>Risk:</i> When equipment tags are lost, stolen, or improperly disposed of, the serial numbers may provide the only means of positive identification. In addition, federal regulations require recording serial numbers for equipment purchased with federal funding.</p> <p>Corrective Action: Ensure that either the serial number or "N/A" (for those without one) is entered in the serial number field in IRIS.</p>
<p><i>Question 4:</i> Are all equipment items costing between \$1,000 and \$4,999.99 and particularly vulnerable to theft added to the university's equipment inventory records in IRIS as sensitive minor equipment (asset class 80000)? (Examples include computers, other electronic devices, musical instruments, cameras, microscopes, boats.) This includes applicable items purchased through UT</p>	<p><i>Risk:</i> Adequate records are not maintained on items vulnerable to theft in accordance with Policy FI0605, 15.b. The department may not have adequate oversight and control of these vulnerable items.</p> <p>Corrective Action: Ensure that all items meeting the definition of sensitive minor equipment are entered in the university's equipment inventory records in IRIS. [Policy FI0605,</p>

<p>bookstores. Your response: No</p>	<p>15.b.]</p>
<p><i>Question 5:</i> Are procurement cards used to purchase items over \$1,000 that are classified as sensitive minor equipment? Your response: Yes</p>	<p><i>Risk:</i> Purchasing sensitive minor equipment with the procurement card is not allowed. Invoices must be processed for such purchases to ensure that these items are entered in IRIS and recorded in the proper general ledger (G/L) account. Corrective Action: Ensure that sensitive minor equipment is not purchased with procurement cards. Review previous sensitive minor equipment purchases and ensure that they were entered in the university's equipment inventory records in IRIS and recorded in the proper G/L account; if not, notify the Controller's Office. [Policy FI0530, 4]</p>
<p><i>Question 6:</i> When equipment is purchased (either movable or sensitive minor equipment) which is an integral component or accessory of a larger equipment item, is it added to the tag number of the larger item rather than giving the piece its own tag number? Your response: No</p>	<p><i>Risk:</i> When the equipment is disposed of, it may be very difficult to ensure that all of the components and accessories are properly removed from the IRIS system. Corrective Action: Ensure that component or accessory parts are added to the tag number of the larger equipment item rather than assigning each component a separate tag number.</p>
<p><i>Question 7:</i> When components or accessories are salvaged from equipment items to be disposed of, are the equipment inventory records reviewed to determine if the components or accessories meet the criteria for movable or sensitive minor equipment and, therefore, should remain on the inventory? Your response: No</p>	<p><i>Risk:</i> Components or accessories qualifying as movable or sensitive minor equipment may be inadvertently removed from the university's equipment inventory. Corrective Action: When items are salvaged from equipment, ensure that inventory records are reviewed and any salvaged items that qualify as movable or sensitive minor equipment are retained on the inventory records.</p>
<p><i>Question 8:</i> Have all equipment items received as gifts been reported to the development office and an Equipment Acquisition Report (Form T-66) submitted to the Controller's Office (or appropriate campus office)? Your response: No</p>	<p><i>Risk:</i> Equipment inventory records may be inaccurate and equipment may not be identified as belonging to the university. Corrective Action: All gifts of equipment should be reported to the Controller's Office (or appropriate campus office) and the development office so that the university's equipment inventory records may be updated IRIS. [Policy FI0605,5.d.]</p>
<p><i>Question 9:</i> When departmental equipment is transferred to another university department, is it reported</p>	<p><i>Risk:</i> University equipment records are not accurate, resulting in a misrepresentation of accountability and potential difficulty in</p>

<p>to the Controller's Office (or appropriate campus office) on the Equipment Change/Deletion Request (Form T-64 or campus equipment status change form) to transfer the equipment to the proper cost centers/WBS elements in the university's equipment inventory records in IRIS?</p> <p><i>Your Response:</i> No</p>	<p>locating items.</p> <p>Corrective Action: Submit a Form T-64 (or campus equipment status change form) to the Controller's Office (or appropriate campus office) to transfer equipment to the proper cost centers/WBS elements in the university's equipment inventory records in IRIS. [Policy FI0605, 23]</p>
<p><i>Question 10:</i> When a research principal investigator comes to (or leaves) the university and equipment purchased with grant funds is transferred to the new university in accordance with the grant, is the equipment added to (or removed from) the university's equipment inventory records in IRIS?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> University equipment records are not accurate, resulting in a misrepresentation of assets on the university's financial statements and governmental reporting and potential difficulty in locating the equipment.</p> <p>Corrective Action: Establish procedures to ensure that T-64s (or campus equipment status change forms) are prepared when research principal investigators transfer to other universities so that their associated equipment is added to (or removed from) the university's equipment inventory records in IRIS.</p>
<p><i>Question 11:</i> Is all equipment owned by the government (including government surplus equipment and equipment transferred from another entity) entered in the university equipment inventory records in IRIS?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The university may not have accurate records of government-owned equipment necessary for governmental reporting.</p> <p>Corrective Action: Ensure that all equipment owned by the government (whether purchased from a grant or transferred from another entity) is entered in the university equipment inventory records in IRIS.</p>
<p><i>Question 12:</i> Has all departmental equipment that was dismantled, damaged beyond repair, or traded in been reported to the Controller's Office (or appropriate campus office) on an Equipment Change/Deletion Request (Form T-64 or campus equipment status change form) to remove the equipment from the university's equipment inventory records in IRIS?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> University equipment records are not accurate, resulting in a misrepresentation of assets on the university's financial statements and potential difficulty in locating the equipment.</p> <p>Corrective Action: Submit a T-64 (or campus equipment status change form) to the Controller's Office (or appropriate campus office) to remove the equipment from the university's equipment inventory records in IRIS. [Policy FI0605, 22]</p>
<p><i>Question 13:</i> Has someone in the department been assigned responsibility for verifying that items surplused, dismantled, damaged beyond repair, transferred to other departments, traded in, or stolen were removed from the university's equipment inventory records in IRIS?</p>	<p><i>Risk:</i> The department's official equipment records may not be accurate.</p> <p>Corrective Action: Assign responsibility for verifying that these items were removed from the university's inventory records in IRIS.</p>

<p><i>Your Response:</i> No</p>	
<p><i>Question 14:</i> When your department's equipment is assigned to individuals for use off premises (either temporarily or long term), do you maintain records indicating who has custody? (Note: Records of laptops that are permanently assigned to individuals should be kept which include the individual's name and the tag and serial numbers.)</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Equipment may be subject to theft, waste, or misuse.</p> <p>Corrective Action: Maintain records for equipment assigned to individuals for use off premises. [Policy FI0605, 18]</p>
<p><i>Question 15:</i> Are all equipment items under lease/purchase agreements with total expected expenditures of \$5,000 or more entered in the university equipment inventory records in IRIS?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The university's equipment inventory records may be inaccurate.</p> <p>Corrective Action: Ensure that all equipment items under lease/purchase agreements are in compliance with Policies FI0605 and FI0440.</p>
<p><i>Question 16:</i> Have any equipment items been stolen or mysteriously disappeared from your department within the past year?</p> <p><i>Your Response:</i> Yes</p>	
<p><i>Question 17:</i> Was the theft or disappearance reported to campus security (or appropriate security office)?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> A timely investigation of the loss may not have been conducted.</p> <p>Corrective Action: Theft or disappearance of equipment should be reported to campus security (or appropriate security office) as soon as possible after the loss is discovered. [Policy FI0605, 22.c.]</p>
<p><i>Question 18:</i> Was an Equipment Inventory Change/Deletion Request (Form T-64 or campus equipment status change form) and a copy of the police report sent to the appropriate campus office or the Controller's Office asking that the equipment be deleted from official university records?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The theft may not have been adequately documented or reported for insurance recovery. The lost equipment may not have been deleted from the official university equipment records.</p> <p>Corrective Action: The department reporting the theft of equipment should prepare a Form T-64 (or campus equipment status change form) to be sent to the appropriate business office or the Controller's Office. [Policy FI0605, 22.c.]</p>

<p><i>Question 19:</i> Will your department perform collection procedures for any returned checks received in the future?</p> <p>[Note: Some departments have transferred responsibility for collecting money for returned checks to a central campus office, but still have responsibility for certain returned checks (e.g., where they do not have the social security number or federal tax identification number). These departments should also answer the following questions.]</p> <p><i>Your Response:</i> Yes</p>	
<p><i>Question 20:</i> Are collection efforts for returned checks documented as they are performed?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> University policy requires collection efforts to be documented (showing due diligence) to write off uncollectible accounts. This information may be lost if it is not documented in a timely fashion.</p> <p><i>Corrective Action:</i> Document all collection efforts as they are performed. [Policy FI0305, 15]</p>
<p><i>Question 21:</i> Are returned checks held in a secure, locked area (including during the work day)?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Returned checks may be stolen or lost. The returned check is necessary to make the collection or to write off the receivable.</p> <p><i>Corrective Action:</i> Keep returned checks in a secure, locked area at all times.</p>
<p><i>Question 22:</i> When a collection is made on a returned check, is a service charge assessed and included in the collection?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Compensation is not received for the added expense of processing a returned check.</p> <p><i>Corrective Action:</i> Collections for a returned check should include a \$10.00 minimum service charge. [Policy FI0305, 10]</p>
<p><i>Question 23:</i> Does your department have an accounts receivable fund established for returned checks in the IRIS system?</p> <p><i>Your Response:</i> Yes</p>	
<p><i>Question 24:</i> Are collections for returned checks credited to the returned checks accounts receivable fund?</p>	<p><i>Risk:</i> The returned checks accounts receivable fund will indicate a false receivable, resulting in inaccurate university financial statements.</p>

<p><i>Your Response:</i> No</p>	<p>Corrective Action: Credit all money collected for returned checks to the returned checks accounts receivable fund.</p>
<p><i>Question 25:</i> Are returned checks on hand reconciled to the returned checks accounts receivable fund on a monthly basis?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Discrepancies in the returned checks accounts receivable fund are more difficult to resolve the longer they are allowed to exist.</p> <p>Corrective Action: Reconcile returned checks on hand to the returned checks accounts receivable fund monthly. [Policy FI0305, 12]</p>
<p><i>Question 26:</i> Does the person who handles collections for returned checks also reconcile the returned checks to the returned checks accounts receivable fund monthly?</p> <p><i>Your response:</i> Yes</p>	<p><i>Risk:</i> Misappropriation of collections may not be detected.</p> <p>Corrective Action: If possible, assign the responsibility for reconciling the returned checks to the returned checks accounts receivable fund to someone other than the person who collects the money for returned checks.</p>
<p><i>Question 27:</i> Does your department sell goods or provide services to students or persons outside the university for which you extend credit and later collect payment?</p> <p><i>Your Response:</i> Yes</p>	
<p><i>Question 28:</i> Does the department mail invoices/statements according to an established schedule to all account customers with outstanding balances?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Follow-up billing on unpaid balances may not be adequate to collect amounts owed.</p> <p>Corrective Action: Ensure that all customers on account receive invoices/statements according to an established schedule. [Policy FI0305, 2]</p>
<p><i>Question 29:</i> Have all employees who maintain the department's accounts receivable records taken some time off during which they permitted others to perform their duties?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Often employees involved in fraudulent activities are reluctant to allow others to perform their duties and do not take leave.</p> <p>Corrective Action: Ensure that employees who maintain the department's accounts receivable records take some leave and another employee(s) performs their work in their absence.</p>
<p><i>Question 30:</i> Do employees who prepare the invoices or record payments in the accounts receivable records personally handle the payments at any point in the process?</p>	<p><i>Risk:</i> Employees may be able to conceal misappropriated payments.</p> <p>Corrective Action:</p>

<p><i>Your response:</i> Yes</p>	<p>If possible, ensure that employees who prepare the invoices or record payments in the accounts receivable records do not handle the payments at any point in the process. [Policy FI0305, 2]</p>
<p><i>Question 31:</i> When a customer disputes a charge to his or her account, is the dispute handled by the employee(s) who receives or posts account payments?</p> <p><i>Your response:</i> Yes</p>	<p><i>Risk:</i> Employees may be able to satisfy customer complaints without an appropriate supervisor's knowledge that a customer's payment was misappropriated or improperly posted.</p> <p><i>Corrective Action:</i> Ensure that disputed account charges are handled by a supervisor or someone other than the employee who receives/posts account payments. [Policy FI0305, 2]</p>
<p><i>Question 32:</i> Does a supervisor approve by signature all credit adjustments to the department's customer accounts?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Employees may be able to post a fraudulent credit adjustment to a customer's account to hide the misappropriation of customer payments.</p> <p><i>Corrective Action:</i> Ensure that a supervisor approves by signature all credit adjustments to the department's accounts. [Policy FI0305, 2]</p>
<p><i>Question 33:</i> Is an aging of receivables report prepared at least quarterly?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Past-due accounts may not be monitored adequately to ensure that collection efforts and write-offs are performed in a timely fashion.</p> <p><i>Corrective Action:</i> An aging of receivables report should be prepared periodically (at least quarterly).</p>
<p><i>Question 34:</i> Does the department head (or other supervisor) review the department's delinquent accounts at least quarterly?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The department head may not be aware of 1) laxity in collection procedures, 2) the need to write off uncollectible accounts, and 3) the failure of the bookkeeper to post payments to the accounts receivable.</p> <p><i>Corrective Action:</i> Ensure that the department head (or other supervisor) reviews the department's delinquent accounts at least quarterly.</p>
<p><i>Question 35:</i> Does your department have written instructions/procedures other than university fiscal policy (or campus business policies) to guide employees in collecting delinquent accounts? [For example, do employees have written instructions for 1) sending special collection letters, 2) placing "holds" on student grades and records, 3) preventing students from registering for additional course work, 4) discontinuing services to customers with</p>	<p><i>Risk:</i> Employees may not be adequately trained and may not have sufficient reference materials to guide them through unusual or infrequent occurrences.</p> <p><i>Corrective Action:</i> Develop written instructions/procedures to guide employees in their collection duties. [Policy FI0305, 3]</p>

<p>delinquent accounts, and 5) using a collection agency to collect outstanding accounts?]</p> <p><i>Your Response:</i> No</p>	
<p><i>Question 36:</i> Does your department follow up on all past-due accounts with collection efforts (e.g., special collection letters)?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The department's efforts to collect accounts receivable may be inadequate.</p> <p><i>Corrective Action:</i> Ensure that the department follows up on all past-due accounts with special collection efforts. [Policy FI0305, 3]</p>
<p><i>Question 37:</i> Are collection efforts documented as they are performed?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> A record of the collection effort (showing due diligence) is required by university policy in order to write off uncollectible accounts. This information may be lost if it is not documented in a timely fashion.</p> <p><i>Corrective Action:</i> Document all collection efforts and file until the receivable is resolved. [Policy FI0305, 15]</p>
<p><i>Question 38:</i> Does your department notify the campus student records office (or appropriate business office) to place "holds" on student grades and records before the end of the term for all students who have past-due accounts?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Failure to place "holds" on students' records allows students with outstanding debts to enroll, obtain grade records, and/or graduate from the university, thereby reducing the department's ability to collect the debts owed.</p> <p><i>Corrective Action:</i> Before the end of the term, notify the campus/unit student records office (or appropriate business office) to place "holds" on student registration, student grades, and records for students who have past-due accounts. [Policy FI0305, 3 and 17]</p>
<p><i>Question 39:</i> Does your department discontinue services to customers with delinquent accounts?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Accounts receivable balances that have a high risk of being uncollectible are allowed to increase.</p> <p><i>Corrective Action:</i> To avoid additional losses and to exercise due diligence in collection efforts, the department should consider discontinuing services to customers with delinquent accounts. [Policy FI0305, 3]</p>
<p><i>Question 40:</i> Does your department request assistance from the General Counsel's office in collecting all delinquent accounts (students, employees, other) greater than \$2,000?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The department is not exercising due diligence in its collection efforts.</p> <p><i>Corrective Action:</i> Request assistance from general counsel in collecting delinquent accounts greater than \$2,000. [Policy FI0305, 3]</p>

<p><i>Question 41:</i> Does your department use a collection agency to collect accounts totaling \$50 or more that are over six months old?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> The department is not exercising due diligence in its collection efforts.</p> <p><i>Corrective Action:</i> Use a collection agency to collect accounts totaling \$50 or more that are over six months old. [Policy FI0305, 3]</p>
<p><i>Question 42:</i> Do you have any delinquent account balances due that are over three years old and have been billed regularly?</p> <p><i>Your response:</i> Yes</p>	<p><i>Risk:</i> These accounts are likely uncollectible and should not be recorded in the university's accounting records as an asset.</p> <p><i>Corrective Action:</i> Consider submitting these accounts for write-off. (Note: This is not the only criterion for a write-off.) [Policy FI0305, 16]</p>
<p><i>Question 43:</i> Do you submit write-off requests (Form T-35) to the campus chief business officer (or designee) for all accounts that are deemed to be uncollectible?</p> <p><i>Your Response:</i> No</p>	<p><i>Risk:</i> Write-off requests must be submitted to ensure that diligent collection efforts were followed as required by state law.</p> <p><i>Corrective Action:</i> Ensure that write-off requests are submitted to the campus chief business officer (or designee). [Policy FI0305, 15]</p>

Thank you for completing the 2007 Self-Assessment of Controls. If you have questions or comments, contact your coordinator Leigh Cheek (Audit and Consulting Services) at lcheek@tennessee.edu.

Responses submitted by Clerk's name for Your Department Head's name at e-mail address: wmoles@utk.edu on 09/27/2007 at 11:10:21 .