

## INTERNAL CONTROL FOR FEE-FOR-SERVICE UNITS

Compiled by the Controller's Department 5/1/09

Findings from a recent audit are a reminder that we need to be diligent in the oversight of fee-for-service units. In this memo, "fee-for-service" refers to any ISU operation where external customers are receiving goods or services for which they pay ISU. Examples are auxiliary enterprises like ISU Dining and the Bookstore as well as smaller units like the DNA Sequencing Lab and operations that might serve only a single customer through a testing or other specialized agreement. Managers and leaders of these units are responsible for their business operations as are the Dean's/Vice Presidential offices to which these units report. Some key areas to consider are:

- Cash/ payment management. In general, other than over-the-counter sales transactions which are paid in-person at the time the customer receives the goods, payments for services should be managed through ISU Accounts Receivable. This relieves the department of responsibility for handling cash and provides detailed reporting on the aging of payments due. Exceptions to this practice are areas where no billing occurs such as the collection of registration fees from conference attendees or if a customer pays in advance at the start of a specialized testing agreement. Any other waivers of the requirement to use Accounts Receivable must be approved by Duane Reeves, Director of Receivables, at 294-8748. To aid in this tracking, new fields have been added to the Deposits on Line (DOL) system. These changes are highlighted on the DOL welcome screen.

In units that will continue to collect cash and checks, ISU policy requires deposits to be made at the Treasurer's Office within 2 days if receipts are greater than \$100 and within 5 days if less than \$100. The policy exists to reduce the chance of theft or of simply misplacing the funds. All checks must be endorsed "payable to Iowa State University" and the account to which the deposit is to be made. Endorsing the check lessens the chance that someone intercepting the deposit is able to put the checks into their personal checking account. An adding machine tape of the checks and the deposit number should also be attached. Questions about deposits should be directed to Brad Dye, Assistant Treasurer, at 294-1002.

- Signature authority and contract review. Leaders of fee-for-service units have been delegated authority to sign agreements with customers. Agreements for \$25,000 or more should be reviewed by the Office of University Counsel prior to being signed. Unit leaders should be familiar with the University policy on contracting found in the ISU Policy Library at <http://policy.iastate.edu/policy/contracting/>. Questions relating to this policy should be directed to the Office of University Counsel. Unit leaders should also review the "Contracting at ISU" webpages on the Office of University Counsel's website at <http://www.universitycounsel.iastate.edu/>.
- Competition with the private sector. While being entrepreneurial is encouraged in our current budget environment, an ISU operation cannot directly compete with private business unless the activity is specifically exempted or meets the requirements stated in the Iowa Code and the Iowa Administrative Code. See the ISU Policy Library at <http://policy.iastate.edu/policy/sales/competition/> for more information. Questions should be directed to Arlo Meyer, Assistant Vice President for Business Services, at 294-7401.

- Segregation of duties. Regardless of the size of the operation providing the service, no individual should be responsible for all aspects of the business cycle which can be thought of as having three elements: authorizing the transaction, recording the transaction, and maintaining custody of assets like cash. For example, if a service unit has only two employees, a leader who provides the service and a support staff person who processes the accounting transactions, the leader must perform a cursory review of the results of operations to verify that fees for services provided are indeed being collected and that expenses are for authorized goods and services. Questions about segregation of duties can be directed to Stephanie Fox, Controller, at 294-2556.
- Pricing of supplies and services. Fee-for-service units should review their rates at least biennially and send a copy of those rates to the Financial Accounting and Reporting (FAR) unit of the Controller's Department, 3607 ASB. Guidelines for rate development and procedures for management of fee-for-service units can be found at <http://www.controller.iastate.edu/far/feeforservice.htm>. FAR can assist units with rate development. Contact information is included in this website.

If you have any general questions regarding the management of fee-for-service units, feel free to contact me at [ssfox@iastate.edu](mailto:ssfox@iastate.edu).