University Financial Services

August 2017

UFS Advisor

INSIDE THIS ISSUE

Treasurer's Message

Susan I. Krauss

We All Play an Important Role

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I recently completed an on-line course on behavioral ethics, which examines how people behave, and their decision-making processes, when confronted with ethical dilemmas. I also attended the NACUBO Annual Meeting recently and sat in on a great session, titled "Ethics versus Fraud: Similarities, Differences, and Ensuring Accountability, which covered many of the same themes and concepts.

We are all faced with ethical decisions and rely on our value system to help guide us in making good decisions—or decisions we can live with. Our value system is shaped early in life by family, friends, schooling and religious institutions, and evolves over time with the influence of colleagues and our work environment. As we know, people don't always make rational decisions and frequently violate their own ethical standards. And we also know that ordinary people commit fraud as a result of perceived pressure or incentive, the right opportunity and rationalization that the situation is acceptable; which is why it's essential we all do our part in supporting the University's internal control structure.

One interesting statistic shared in the NACUBO course is that employee tips are the most effective detection method of fraud—with approximately 40% of fraud detected as a result of employee tips. And employee tips account for more than twice the rate of other fraud detection methods such as management review, internal audit and account reconciliation.

With that as the backdrop, I'd like to take this opportunity to remind you about the Ethics and Compliance webpage, housed on the Office of Legal Counsel website. The webpage is a great resource and includes information about UK's Code of Conduct, a description of ethical principles related to employment, key KRS statutes and UK regulations, other related rules and regulations, a test for dealing with an ethical issue (see insert on following page) and information on how to report an ethical issue, which includes a toll-free number compliance hotline.

Treasurer's Message, continued

Link to Ethics and Compliance webpage: https://www.uky.edu/legal/ethics-and-compliance

Toll–Free Compliance Hotline: **1-877-898-6072**

See following link for additional information on reporting and ethical issue:

https://www.uky.edu/legal/report-ethical-issue

Please note if you suspect fraud or illegal activity (i.e. corruption or bribery, asset misappropriation or financial statement fraud), it is your responsibility per Governing Regulation XIV (Ethical Principles and Code of Conduct) to report your suspicions to Internal Audit.

Link to Fraud Reporting webpage: https://www.uky.edu/internalaudit/fraud-reporting

We all play an important role in maintaining an effective control environment in order to safeguard University assets and achieve operational, financial reporting and compliance objectives. We are partners in this endeavor. Please reach out to me or anyone on the UFS team if you have questions or concerns about internal controls within your unit.

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Test for Ethical Issues (from Office of Legal Counsel website)

1. Be sure that all of the facts are known and true.
2. Is the issue legal? If the person's action is not legal, the test ends here. No one is authorized by anyone else to break the law.
3. If the action is legal, does the person's action violate UK policy? If so, unless there are exceptions, the test should end there.
4. If the action is legal and does not violate UK policy, does one of the University's Ethical Principles apply to the facts?
5. Determine which principle or principles apply and analyze what the appropriate response should be.
6. Further tests include:
    a. If you do it, will you feel bad?
    b. How would it look to other members of the UK community or your family if they knew all of the facts?
7. If it passes tests # 2 through 5, but you know that it is wrong, don't do it.
8. If you are not really sure, ask. If you think anything may be wrong, keep asking until you get a final authoritative answer that you know is correct and about which you feel good.

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"Values are like fingerprints. Nobody's are the same, but you leave 'em all over everything you do."

--Elvis Presley

Focus on Business Procedures

Recently Updated BPM's

B-11 Research Foundation Contracting

June 26, 2017

Policy had minor revision for formatting and to add language on continuing to comply with Uniform Guidance (UG) 2 C.F.R. 215 and 220 until adopting the procurement standards in accordance with UG 2 C.F.R 200 on July 1, 2018.

D-1-1 Motor Vehicle Insurance

July 19, 2017

Policy had minor revision for formatting and to add employee and university business use definitions. Also includes additional explanation of fleet insurance policy coverage.

D-1-3 now requires completion of University's Cart Safety Training Program for employees of contractors and vendors

D-1-2 Persons Authorized to Use Vehicles

July 19, 2017

Policy had minor revision to update format and add employee and electronic communication device definitions. Also addresses students may not drive any University owned vehicles and requires seatbelt use while operating University vehicles.

D-1-3 Golf Carts and Utility Vehicles

July 21, 2017

Added responsibility for employees of contractors and vendors to complete the University's Cart Safety Training Program offered by Environmental Health & Safety.

E-4 updated to include new payroll document type Z4

D-2 Unmanned Aircraft

July 21, 2017

Policy had minor revision to update format. Policy section IV. F. 4 added to limit operating UAS to daylight hours.

E-4 Journal Voucher

July 25, 2017

Policy was updated to include new payroll document type Z4. Addresses specific format and documentation required for any cost allocations or corrections to payroll general ledger codes. See also new policy E-8-2 Retroactive Payroll Adjustments.

Focus on Business Procedures

E-7-8 Relocation Expenses for Newly Hired or Transferred Faculty and Staff

July 21, 2017

Policy was updated to current format and to clarify payments may not be charged to sponsored projects to ensure compliance with Uniform Guidance. In addition, the maximum dollar amount for relocation expenses made consistent regardless of option selected.

E-7-12 Employee Awards

July 21, 2017

Major revision to update dollar limits based upon benchmark review and current approved programs. Table added to clarify specific dollar criteria for employee awards by funding source and applicable tax treatment.

E-7-8: Maximum dollar amounts now consistent for relocation regardless of option selected

E-8-1 Criteria for Payroll Deductions

Policy updated to current format.

E-8-2 Retroactive Payroll Adjustments

July 25, 2017

A new policy issued to provide guidance to staff for processing retroactive adjustments within the SAP HR/Payroll system outside the earliest retroactive date. A new form will be used to request a payroll retroactive adjustment for periods prior to the current earliest retroactive date (ERD) affect compensation. Cost allocations or distributions outside the ERD will be processed by journal voucher using new document type of Z4. See also E-4 for specific instructions.

E-11-1 Penalty for Late Payment to Vendors

July 21, 2017

Policy had minor revision for formatting.

E-8-2: Cost allocations or distributions outside the ERD will be processed by journal voucher using new document type of Z4

E-14-2 Private Business Use of Tax- Advantaged Bond Financed Facilities

August 1, 2017

New policy to outline the federal laws and regulations governing the use of facilities financed with tax – advantaged bonds. Campus personnel should contact UFS prior to entering into any agreement that might constitute private business use in a bond-financed facility. Potential private business use would include management contracts, leases of facilities, naming rights contracts and unrelated business income activities.

E-21-5 Collections and Write-off for Student and Loan Receivable

July 19, 2017

Policy was updated to remove prescribed percentages used in calculation of bad debt reserve to provide flexibility based upon current collection data.

Business Officer's Toolkit

Quick Facts and Tips to Help You Do Your Job

With the new fiscal year comes new changes to the journal voucher (JV) process at UK. Below are some tips and tricks to make processing JVs on salary and wages and reconciling payroll easier.

1) Payroll reconciliation reports are available in the SAP Spinifex t-code (/SPIN/ER) for use by all individuals who have time entry or approval roles in SAP.

    a. Validate that all hours were transferred to the payroll system for biweekly paid employees using the Quick Reference Card (QRC) for *Employee Pay to Pay Comparison* at http://www.uky.edu/ufs/quick-reference-guides.

    b. Validate that there are no unexpected changes in the pay for each employee for both biweekly and monthly paid employees by using the QRC and report *Employee Pay to Pay comparison.*

    c. Use the QRC for the *Payroll Preliminary Posting Report* to validate that expected changes to cost distribution are correct for all biweekly and monthly paid employees. Also, validate that there are no postings to the HR Clearing cost centers (1018XXXXXX) due to invalid cost distributions (cost centers or grants that are closed or invalid).

    d. See all the materials related to Reconciliations located in the Hand in Hand Presentations section of the UFS web-site.

2) A new document type and format is required for JVs for salary and benefit (payroll) GL accounts (starting with 51 and 52). By completing the above steps for each payroll period, the need for JVs should diminish.

    a. *What is changing?*

        i. Document type Z4 will be used for all payroll related JVs in Fiscal year 2017-18. Document type SA will continue to be used for all non-salary or benefit GL accounts. *Why?* This document type will provide format that will allow these financial transactions and the HR labor distribution information to be combined in future financial reconciliation reports for use by the business officers.

        ii. *The Earliest Retroactive Adjustment date* (see BPM E-8-2 Retroactive Payroll Adjustments) to in SAP HR will be set at a minimum of three months to a maximum of five months for corrections through the HR system. *Why?* Timely review and reconciliation of payroll related GL accounts are required for optimal internal controls around our pay processes.

    b. Substantive changes have been made to the BPM E-4 Journal Vouchers to incorporate a Table of Contents to help users navigate to the relevant sections. General guidelines are for all documents, while specific policy and procedure sections are broken out by cost object or GL account that will be included on the JV.

3) For a large volume of transactions on a single JV or for a JV that is loaded often (such as overtime removal on sponsored projects), use the JV upload example Excel file on the UFS web-site for uploading to SAP. *Remember* to save as complete to perform all edit checks.

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New Change in Base Pay Workflow

A new workflow is being implemented campus-wide to improve data integrity, ensure appropriate approvals, and reduce paper printing. The goal is for increased security, transparency and accountability for all pay changes.

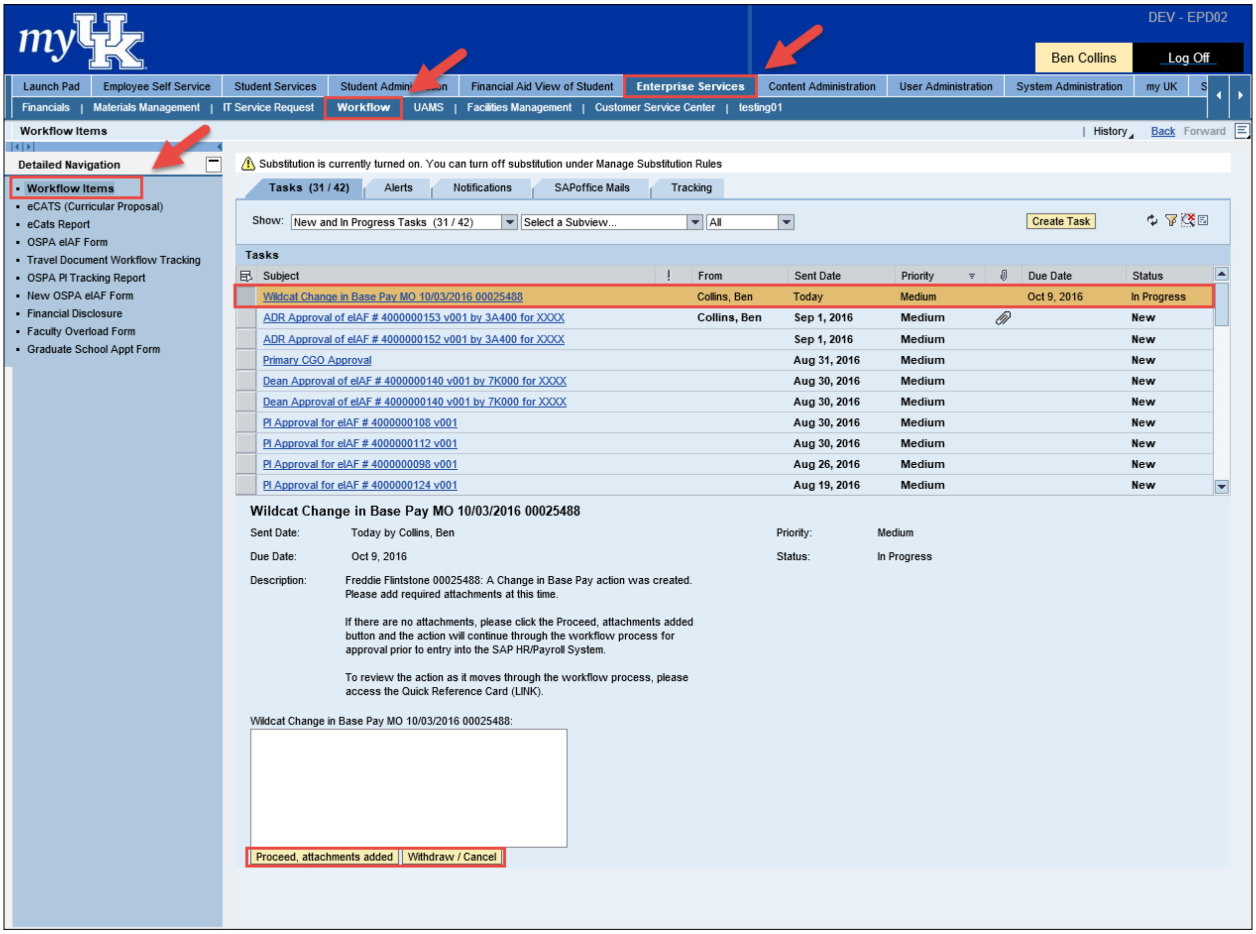
The HR user will continue to initiate a change in base pay (Infotype 0008) within SAP for the employee via the PA30 or PA40 action. Currently, the record is immediately updated and departments must print the PAR, obtain signature approvals and route to HR. With the new workflow, the new pay entry is locked until all approvals occur. The steps include:

- Submitter receives an email notification and work items to add any supporting documentation required for approval. Examples would be letters of approval or equity adjustment documentation.
- Supervisor of employee will receive email notification of the change but no action is required.
- Business officer(s) and other departmental approvers receive email notifications and work items.
- Levels and approvers determined by the FI Approver table in SAP.
- Can entail multiple levels of approval. Each level requires only one approval.
- Regular faculty and phased retirement faculty changes, will route to Lisa Wilson for approval after final department approval.
- Post-doctoral fellows and scholars will route to Pat Bond for approval.
- Once all approvals from FI table have occurred, record will route to HR for approval. Compensation, Employment and/or PAR processors receive email notifications and work items for review and approval.
- Order of approval depends on the reason for action selected when the change was created in SAP.
- If record approved, the locked record is unlocked and becomes active. The attachments are archived from SAP to the Enterprise Content Management (ECM) system.
- The submitter receives an email notification when the change was approved and the workflow is complete.
- If the record is rejected, the change will not take effect and the new (locked) pay record is deleted.
- An email notification is sent to the submitter and previous approvers. (Business officers/FI approvers).
- Deadlines for action have been imposed to prevent delays. After 24 hours, each approver will receive an email reminder that an action is required.
- The change is automatically rejected if no action is taken after 10 calendar days.
- Prior approvers will be emailed of the rejection.

Approvers access records via the myUK portal, enterprise services, and workflow or via the SAP GUI, under business workplace.

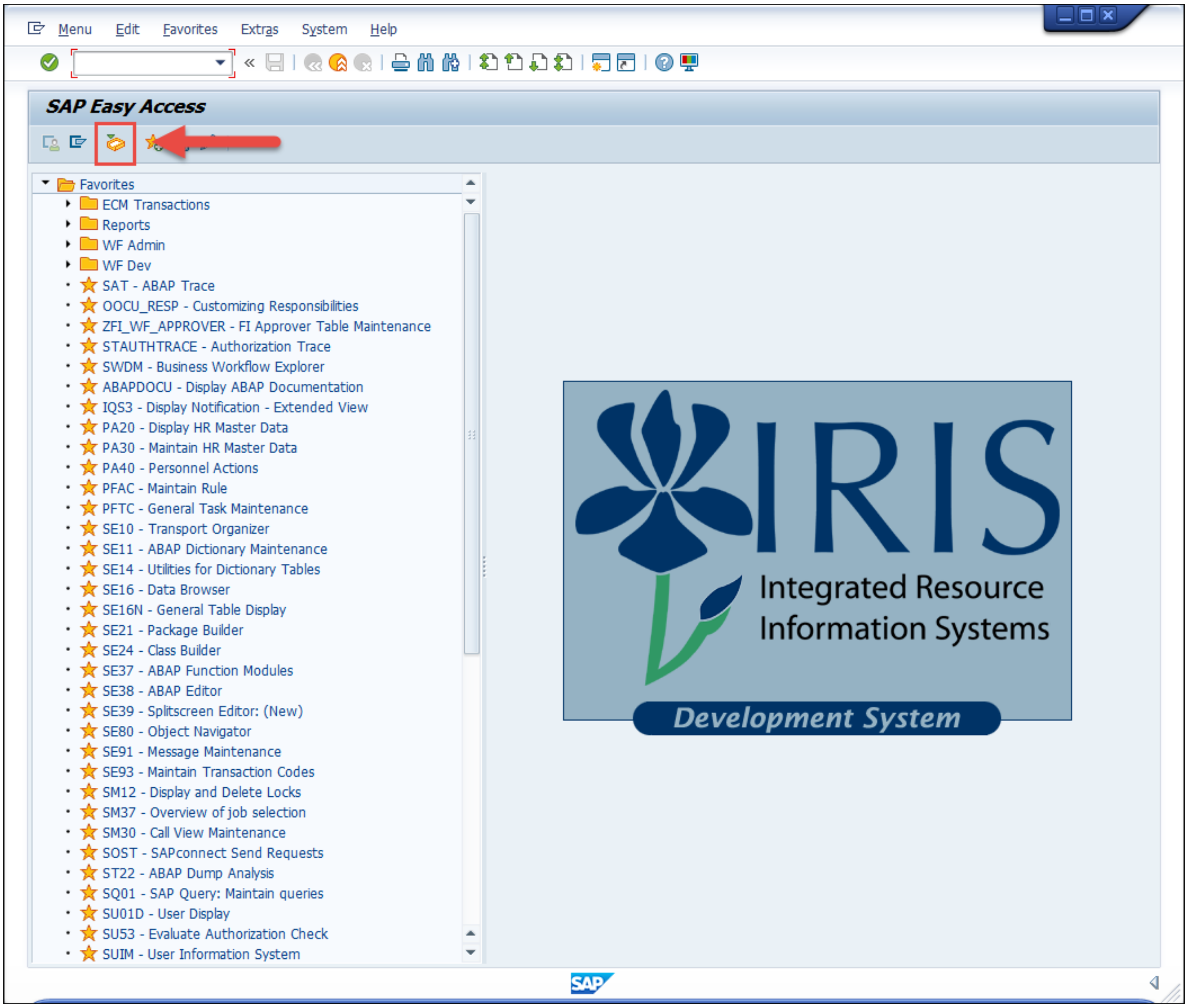
New Change in Base Pay Workflow Cont…

Approval via myUK Portal



New Change in Base Pay Workflow Cont…

Approval via SAP GUI



Business officers will be contacted in near future to determine entries for the FI approver table. The table is based upon position numbers rather than individual names to reduce workload in its maintenance. An online transaction is being developed to allow department's ability to update table as necessary with routing to Area Fiscal Officer for approval. The table entries will be used for all future HR transactions and are in addition to the current TRIP entries.

Our plan is to go live with change in base pay workflow in September 2017. Development is planned for other HR actions such as the recurring payment (infotype 0014) and one-time payments (infotype 0015.)

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Upcoming Training Opportunities

All of the materials presented at the Hand in Hand Sessions can be found on the UFS website under resources and information

Hand in Hand We Learn sessions for Fall 2017 will be held in Gatton Classroom 291 10:30-11:30 and virtual sessions will also be available. You may now schedule your attendance through myUK ESS. Courses are listed under University Financial Services.

We are seeking your input on future topics for the sessions. Just click on the feedback link to submit your suggested presentations or questions to be addressed. Or you may email Lexi Bugay your ideas.

Training Class	Date	Time	Location
Cash Handling Operations	9/7/2017	1:00pm-4:30pm	Peterson Service Bldg.- Room 307
Cash Handling Operations	10/4/2017	1:00pm-4:30pm	Peterson Service Bldg.- Room 307
Cash Handling Operations	11/8/2017	1:00pm-4:30pm	Peterson Service Bldg.- Room 307
Concur Online Booking Tool	9/13/2017	8:30am-10:00am	W.T Young Library-Rm.B-108A
Advanced Concur Online Booking Tool	9/13/2017	10:30am-12:00pm	W.T Young Library-Rm.B-108A
Travel Services	9/27/2017	10:30am-12:00pm	Peterson Service Bldg.- Room 307
Concur Online Booking Tool	11/8/2017	10:00am-12:00pm	W.T Young Library-Rm.B-108A
Hand in Hand We Learn-Reconciliation II - College of Medicine Procedure	8/23/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn-JV Fundamentals	9/13/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn-Chart of Accounts & Functional Area	9/27/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn	10/11/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn	10/25/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn	11/8/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn	11/22/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Hand in Hand We Learn	12/13/2017	10:30am-11:30am	Gatton Classroom 291 & Virtual
Payroll Journal Voucher Information Session	8/21/2017	10:00am-12:00pm	Gatton Classroom 157
Payroll Journal Voucher Information Session	8/22/2017	10:00am-12:00pm	Gatton Classroom 157

For more information or to register for these courses visit your myUK Employee Self Service Training page.