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Lessons Learned from an Audit: Are You Being Fiscally Responsible?

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Lessons Learned from an Audit: Are You Being Fiscally Responsible?

Ernie M. Hills

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Objectives of the presentation:

Participants will be guided through the real meaning of fiscal responsibility, learn best (and not so good) practices for overseeing budget and financial transactions,

Description of the session:

Chairs are tasked with the job of managing accounts and financial transactions on behalf of their departments but may be given little or no training for this important duty. Instead, we dutifully sign off on forms and delegate fiscal authority in ways that may lead to financially disastrous and legally complex situations. Or such was the case with this presenter until he was faced with an external audit.

The funds that department chairs manage are not our own. Indeed, they are public or private monies that are held in trust for the benefit of our students and programs. Being fiscally responsible requires that we understand our role within the larger business systems of the university and exercise appropriate financial control on its behalf.

When chairs request funds from deans and provosts we do so based on the perceived needs of our program and in the hope of providing much needed resources to our faculty, staff, and students. However, demonstrating need is only one aspect of budget requests; the ability to demonstrate sound financial management skills cultivates confidence in the creation of the request and in the department's use of scarce funds.

To develop that confidence, four areas should be fully addressed: a budget plan of anticipated revenues and expenditures for the department, procedures for approving and processing financial transactions, the regular review of actual financial activities and variances from budget models, and the establishment of internal controls to assure compliance with procedures and to prevent irregularities. In short, the department chair must set up a plan for the unit and assure that the plan is followed using sound decision making and transparency.

This presentation will focus on each of these rather dry areas with real-life tales of departmental business practices that auditors found to require systemic improvement. The participants will be asked to judge scenarios to consider the level of fiscal responsibility they represent and to consider ways in which such practices may be improved on their home campus. These scenarios will include specific items such as handling cash and checks, providing students with equipment and services, reimbursing employee expenses, budget planning, purchasing, reporting structures, and issues of compliance with applicable policies. Several potential scenarios are included as an appendix to this proposal.

This information will be especially helpful to chairpersons whose academic discipline falls outside of business and who would like to avoid the pitfalls that can result from benign neglect. Questions and discussion will focus on specific issues facing participants so that we can all learn from our combined experiences.