In February 2018, President Capilouto invited the campus community to provide input on the “Our Path Forward” initiative led by Provost David W. Blackwell and Executive Vice President Eric N. Monday, which involves development of a forward-thinking budget that addresses disruptions in higher education, including increased focus on net price to value and student debt levels, changing demographics, expectations of life-long learning, and a challenging state fiscal environment.

Many of you worked on the collaborative concept teams led by college deans to identify various concepts/initiatives to generate recurring revenues, net savings and/or new opportunities. This collective effort resulted in development of business plans for eight initiatives, and, ultimately, approval to move forward with implementing seven of the initiatives. For more information on the Our Path Forward process and related initiatives, please visit the website at the following link: http://www.uky.edu/sotu/ourpathforward.

One of the seven initiatives approved by the Provost and EVPFA is the Procure-to-Pay (P2P) initiative that entails reengineering of our procurement and payment processes to better capture strategic cost reductions and service quality improvements by combining the various functions into one process (i.e. supply management, requisition, purchase order, receiving, invoice reconciliation, and accounts payable). The ultimate goals are to improve the end-user experience and obtain improved reporting and metrics on the University’s procurement transactions and other spending to inform strategic sourcing and better spend management.

Related to the P2P initiative, the University has engaged Huron to identify opportunities for improvement and potential cost savings in the University’s procurement, payables and travel and expense operations. Huron estimates a project timeline of 12-14 weeks and onsite interviews are expected to commence the week of September 10th. Thank you in advance for your time and commitment to this important initiative. Please feel free to reach out to me at 859.257.6231 or skrauss@uky.edu if you have any questions or concerns.
Focus on Business Procedures

Recently Updated BPM’s

Q-1-1 Information Technology Services General Responsibilities
June 11, 2018
No substantive changes. BPM was only updated to current language for areas of responsibilities.

B-1 to B-13 Purchasing BPM’s
June 14, 2018
Minor changes to update links and department names.

E-6-1 Sales and Use Tax
June 26, 2018
Updates to address the 2018 Kentucky Tax Reform.

E-2-1 Treasury Operations Manual
July 19, 2018
Updates to address the new cash and check deposit process.

UFS will be forming a focus group soon to review and provide feedback on the following draft policies:

E-6-2 Revenue Producing Activities
This new policy will provide the guidelines and procedures for the establishment of revenue producing activities by University departments, units and individuals, consistent with the University mission and that of the unit generating the revenue.

E-6-3 Unrelated Business Income Tax
This new policy will define unrelated business income tax (UBIT), provide guidance to all University of Kentucky departments, and discuss department’s responsibility in identifying new or current activities that may be subject to unrelated business income tax.

E-14-1 Tax-Advantage Bond Post Issuance Compliance
This new policy will assist the University of Kentucky (the “University”) in complying with the post issuance requirements of federal income tax law in order to preserve the tax-advantaged status of its bonds.
EVPFA Eric N. Monday shared in a June email the implementation of the new 5 percent Kentucky withholding tax as approved by the Kentucky Legislature in House Bill 366.

Here is a quick reminder of what you need to know.

- The new law requires employers to withhold Kentucky income tax of 5 percent on employee taxable wages.
- UK implemented the tax update on the June 15 biweekly payroll. As a result, biweekly employees likely noticed a change in the amount of Kentucky income tax withheld from their paychecks at that time.
- Based on further review and guidance from the Kentucky Revenue Cabinet, we retroactively applied the new 5 percent rate on the June 29 monthly and biweekly payrolls back to May 1, 2018. Employees would have seen changes in the amount of Kentucky income tax withheld from their June 29 paychecks.

We encourage employees to visit Kentucky State Government’s TaxAnswers.ky.gov website to learn more about the tax changes and how they possibly could affect your 2018 tax filing.

**Over 60 Day Taxation of Travel Expense Reimbursements**

BPM E-5-1 requires employees to complete and approve a TRIP Travel Expense Report for all business expenses within 60 calendar days of the date when the business travel ends. This policy is in place to make sure the University is reimbursing employees for business travel expenses as allowed for under the IRS Accountable Plan regulations.

All employees who have not approve their TRIP Travel Expense Report within 60 calendar days of the date when their business travel ended are required to attach an Over 60 Day Taxation Form to their TRIP travel expense report. If the Employee meets one of the allowable exemptions from taxation and has attached supporting documentation as required, their travel expenses will be reimbursed as soon as the TRIP document is approved for payment. Here are a list of the allowable exemptions:

- Traveler was on Family Medical Leave during the sixty (60) day period following the return date of travel (Traveler must provide dates and supporting documentation).
- Traveler was in continuous foreign travel status during the sixty (60) day period following the return date of travel (Traveler must provide dates, destinations and TRIP Travel Expense Report numbers).
Business Officer’s Toolkit
Quick Facts and Tips to Help You Do Your Job

Over 60 Day Taxation of Travel Expense Reimbursements

Continued

• Traveler submitted the appropriate support documentation on a timely basis, but their College/Department/Division Business Office proxy failed to process the TRIP Travel Expense Report prior to the sixty (60) day period. (Traveler must provide email, date-stamped document, or other documentation attesting to the date submitted to proxy).

Travelers who do not meet one of the allowable exemptions above are required to submit the Over 60 Day Taxation Form acknowledging that they understand they do not qualify for one of the tax exemptions and that they understand their travel reimbursement will be paid as taxable wages on a future paycheck.

Here is an easy flowchart of how the Over 60 Day reimbursement process works:

Business officers will be able to run reports on wage types “2530 -Travel Domestic”, “2531 -Travel Domestic NRA”, “2535 -Travel International”, and “2536 -Travel International NRA” to see a listing of employees in their area who did not meet one of the exemptions and therefore had their travel reimbursement paid on their paycheck as taxable wages.

If you have any questions regarding the Over 60 Day Taxation Form or this process please feel free to contact Patty Brophy or Leslie Duty in Travel Services.
Upcoming UFS Projects and Initiatives

Loadable Card Payment Program
A streamlined solution for purchasing gift/payment cards in lieu of the current Imprest Cash and Declining Balance Procurement Cards processes.

UFS shared plans for the initiative with the UBO group recently and plan to form a focus group soon to begin to design the processes and procedures related to the program implementation.

Vendor Onboarding Solution
In our last issue we announce an initiative by UFS and the Purchasing Division to improve the process for adding new vendors/suppliers to the SAP Vendor Master file and that PaymentWorks was selected to provide the solution.

As announced in UK Purchasing News on August 10, the PaymentWorks solution has been implemented. Users are encouraged to visit http://www.uky.edu/Purchasing to review a PowerPoint slide deck for details. We also want to thank the volunteers that piloted the process and provide the much needed and important feedback.

Ethics and Fraud
The University of Kentucky has a specific Ethical Principles and Code of Conduct (https://www.uky.edu/legal/ethical-principles-and-code-conduct) that establishes the standards by which all of its employees should abide. There are also established Governing Regulations, Administrative Regulations, Business Procedures, Human Resources Procedures, Information Technology and other policies that are established that help prevent fraud, waste and abuse. The biggest asset UK has for preventing fraud, waste and abuse is our partnership with the business officers on campus. This may be reminiscent of the days of Smoky the Bear and “Only you can prevent forest fires”, but it is absolutely the truth.

Establishing a culture of compliance is something that is vitally important to managing the reputation of your unit, your organization and ultimately UK. In any situation where a decision is made to circumvent the established policy or regulation without approaching the unit responsible for alternative solutions, it is possible that ethical misconduct or fraud may exist.

According to Business Fraud: Culture Is the Culprit, by Heather Raftery and Frank L. Holder in Business Ethics, Economy & Society, Governance & Compliance, 85% of fraud is from asset misappropriation. Interestingly, only 5 percent of fraudsters have had a prior conviction before committing their first offense.
Ethics and Fraud continued

Fraud takes place when there is knowledge of and intent to circumvent systems or controls that have been put in place to prevent loss or risk. In all cases where fraud has taken place there are three factors present: opportunity, pressure and justification.

Opportunity: In the normal course of a job, opportunity may exist or may present itself when a key person in the control structure is absent. Perhaps something was sent through by mistake and was ultimately paid, the opportunity has presented itself.

Pressure: Often this comes from outside sources, such as peers or leaders to “just this once” circumvent a control (culture). Alternatively, financial pressures that the individual is experiencing may lead to fraud. For example, perhaps the individual is caught between caring for an aging parent, raising children and a career. In the course of dealing with these day to day issues payments have been missed and interest, penalties and late fees are adding up.

Justification: Often individuals who commit fraud reason that it is “just one time”, or “I’ll pay it back” or “They won’t even miss it”. Other times, the fraud is couched in being helpful, such as when someone signs someone else’s name or approves something because the appropriate person is unavailable to do it at that time. This is where a person’s ethics comes into play.

Ethics is harder to define, but it is doing the right thing, even despite the pressure to do something you believe, or feel is wrong. This may present itself as an uncomfortable feeling you get when someone asks you to do something. It may be something that just does not sound right, such as “just buy it on the Procard, I’ll edit it for you”. If it sounds too good to be true, it probably is not right.

It is impossible for the central processing unit to create a policy or procedure for every possible ethical violation or opportunity for fraud, waste or abuse. The results would be stifling and extremely inefficient. The unit culture is the defining factor on whether fraud could be committed by someone in your unit.

To test the culture in your unit, ask the following questions?

- Are the relevant policies checked or known before action is taken?
- What is the purpose and intent of the policy?
- Does something get processed with the hope that it gets approved by the central unit (if applicable) or that it is not questioned?
- Do employees actively seek advice from knowledgeable people (college business officers, central units) for example mentoring programs for new employees?
- Are there established written processes?
- Are those processes being followed and emphasized?
- What opportunities exist for employees to circumvent the established processes?
- Are signature or approval delegations documented and emphasized?
- Are passwords and logon ids shared?
- Who is sampling processed documents to determine if the policy and/or process was followed?
UK does have a lot of policies and procedures, but they all have a specific purpose and intent. If you are not sure what the intent of the policy is, we invite you to call the appropriate central unit. We are here to partner with you to establish a culture of compliance and provide help or alternative processes if needed. In those cases where you suspect or are aware of ethical misconduct or fraud, it is your responsibility to report it by using the confidential toll free compliance hotline at 1-877-898-6072 for an ethical violation or the web-site for fraud reporting. Let us know of policies or procedures we need to review with the campus community by e-mailing your Hand-in-Hand training suggestions to Lexi Bugay.

**Upcoming Training Opportunities**

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<tr>
<th>Training Class</th>
<th>Date</th>
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*For more information or to register for these courses visit your myUK Employee Self Service Training page.*

We are currently scheduling the location and dates for the Hand in Hand Training sessions. Once we have those finalized we will send them out to the business officer listserv. If you have a suggestion for a topic for the Hand in Hand training, please email Lexi Bugay at alexis.bugay@uky.edu.