

REMARKS BY GEORGIA TECH PRESIDENT G. WAYNE CLOUGH
Board of Regents, Savannah State University, April 20, 1999

- Appreciate the opportunity to meet with you. We welcomed your audit and your advice, and I want to emphasize our commitment to good stewardship and our desire to meet your high expectations, not only because they are your expectations, but also for the sake of our own integrity. Your audit as well as our own investigations made it clear that our internal controls must be clarified and improved. And I want to report on the changes we're making toward that end.
- Financial culture has always been different and more enigmatic at Georgia Tech than other University System institutions. At its creation in the 1880s, GT intended to be self-supporting by using unpaid student labor to fill commercial contracts. Only after failing to break even during its first eight years, was disappointing decision made to make Tech "a purely education institution." Even then, not unusual for General Assembly to provide only half the cost for early buildings/ programs, leaving GT to raise remainder from other sources. Add in federal and corporate funds of a modern research university, you get a rather convoluted financial system, with multiple and overlapping sets of policies and accountability.
- Georgia Tech also had an entrepreneurial spirit long before it became fashionable. Have always encouraged faculty and students to be creative and innovative in practical ways, and for the most part that has proven to be a wonderful thing – invaluable resource for Georgia. Graduates succeeded with new ventures in every industry imaginable, and the Institute has an edge in a world that now demands more nimbleness, creativity and flexibility than has historically characterized higher education.
- Unfortunately, the combination of complex financial structure and entrepreneurial spirit has made us vulnerable. Have been meticulous about the process of dealing with the two recent incidents and retrieving misused funds, but we also acknowledge that internal controls need to be strengthened across the board. Had already begun to take corrective steps before the Board of Regents audit took place and before recent controversial incidents came to a head. This afternoon, want to focus on the broader changes and safeguards we are implementing.
- First, we strongly concur with the statement in your audit that "the Foundation exists for the purpose of promoting the advancement and betterment of the Institute, and care should be taken to ensure that the funds are spent in accordance with that purpose." February 1st – new accounting process for Foundation funds, subjecting them to the same level of scrutiny as state funds. Expenditure of Foundation funds is now processed through the Institute according to Institute policy and requirements. Then the Foundation reimburses the Institute at the end of each month.
- New process achieves greater accountability for Foundation funds in several ways:
1)Provides clearer record of what happens to Foundation funds once they are injected into campus units for expenditure. 2)Simplifies policy and procedure by making Foundation funds subject to same rules as Institute funds. Makes it clear to all faculty and staff that

Institute and Regents policy cannot be circumvented by using Foundation funds, but they will be given the same scrutiny and accountability as state dollars. 3)Streamlines the paperwork considerably for the Foundation staff. Used to be swamped with over 13,000 check requests a year – more than a thousand individual check requests each month – difficult for them to catch the clues and patterns that indicated something inappropriate might be happening. New system lays out Foundation expenditures in a systematic way for examination and reimbursement.

- Second, hired new Director of Internal Auditing and set up an ongoing internal audit system, with a three-year cycle – each campus unit will undergo an audit every three years. These audits will examine:
 - Travel activities and all associated documentation
 - Use of Foundation funds
 - Practices and expenditures for sponsored programs
 - Procurements and purchases, including use of P-Cards
 - Accountability over capital assets
 - Controls over information technology assets
 - Several other areas of internal control
- As you can see, audits will be thorough, going beyond simply catching or preventing misuse of travel funds to examine accountability and emphasize integrity in all financial undertakings. Audits will verify that proper controls are in place to ensure sound accountability, and that transactions are properly processed and in compliance with all laws and regulations.
- Addressing need for clearer communication. Faculty has grown more diverse, recruiting farther afield through the years – have learned that we can't take for granted that they understand policies and what proper business rules are. Taking deliberate steps to make sure everyone understands policies and procedures and what is expected of them. Making presentations in our Administrative Network sessions on policy, rules and proper business procedures. Have made all updated business policies and procedures available to everyone on the web. In process of conducting internal audits, GT auditor to look for evidence that proper business rules and procedures are well understood, and provide direct feedback on places that need improvement and clarification.
- Also plan review process for all department chairs on a five-year cycle, to make sure they are aware of all policies and procedures and commitment to following them, and are clear on the high level of personal integrity and responsibility that we expect from them in carrying out those policies.
- Believe the combination of these safeguards – new process for the expenditure of Foundation funds, better communications, ongoing comprehensive internal audits, five-year reviews for department chairs – will not only be quick to catch any irregularities in the future, but, more importantly, will promote clearer understanding of policies and rules, and encourage high level of accountability and integrity in all financial transactions.

- We will continue to strive for nothing less than excellence in our administrative process, just as we do in our academic programs.