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## B. Internal Control Defined

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations (COSO) is the recognized standard for internal control systems. COSO defines internal control as a process, effected by the Board of Trustees, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

This definition reflects certain fundamental concepts. Internal control is a process consisting of ongoing tasks and activities; a means to an end, and not an end unto itself. It is adaptable and effected by people at every level of the University. Internal control provides reasonable assurance, but no system of control can provide absolute assurance. It provides a comprehensive strategy for achieving the following objectives:

1. **Safeguard University Assets:** Well-designed internal controls protect assets from accidental loss or loss from fraud.
2. **Ensure the Reliability and Integrity of Financial Information:** Internal controls reasonably ensure that management has accurate, timely, and complete information, including accounting records, in order to plan, monitor, and report business operations.
3. **Strengthen Compliance:** Internal controls help to reasonably ensure the University is in compliance with the many federal, state, and local laws and regulations affecting business operations.
4. **Promote Efficient and Effective Operations:** Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations.
5. **Accomplish Goals and Objectives:** An effective internal control system provides a mechanism for management to monitor the achievement of operational goals

iterative process for identifying and assessing risks to the achievement of objectives.

3. Control Activities: Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.
4. Information and Communication: Information and communication is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives.
5. Monitoring Activities: Ongoing evaluations, separate evaluations, or some combination of the two are used(two)-3( ).0003(ina)-5(tio)6(n)6( )~~6~~-f3(ina)-5

Department managers are responsible for prompt corrective action on all internal control deficiencies identified by internal and external auditors. The process is initiated only after managers receive audit results and take action to address internal control weaknesses in the systems, or demonstrate that management action is not warranted.

Faculty and department leadership are responsible for the application of this policy and the design, development, implementation, and maintenance of systems of internal control focusing on the effectiveness of operations and the safeguarding of assets within their respective areas of responsibility. Faculty and department leadership possess the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within their respective areas, contribute to, an effective work environment. This includes providing access to appropriate training and resources relevant to their job responsibilities.

All levels of internal control are subject to examination by external auditors who are required to report on the adequacy of internal controls over finance and compliance.

## **B. Internal Control System**

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department's plans. Transactions are approved by the person who has delegated approval authority.

3. Custodial and Security Arrangements: Responsibility for physical security/custody of University assets is separated from record keeping/accounting for those assets. Unauthorized access to University assets and institutional data is prevented.

5. ~~Timely and Accurate~~ Review and Reconciliation: Departmental accounting records and documents are examined by employees who ~~have~~ sufficient understanding of the University accounting and financial systems to verify that recorded transactions took place and were made in accordance with University policies and procedures. Departmental accounting records and documentation are compared with University accounting system reports and financial statements-3(t)46(rec)9(o)-

enforced by IT applications, such as edit checks to validate data entry, accounting for transactions in numerical sequences.

#### **D. Evaluation of Internal Control Concerns**

It is the University's policy to maintain at all times an adequate system of internal controls. Every employee of the University who engages in financial, business, and management activities has a responsibility to adhere to the internal controls established for such activities and to report to the Controller's Office any reportable condition or material weakness in internal controls.

Employees must have a means of communicating significant information to the University's administration and understand their own roles in the internal control system, as well as how individual activities relate to the work of others. To this end, whenever a new budgetary unit, research project, etc. is set up, the Controller's Office and/or Office of Research and Sponsored Programs will provide notification to the appropriate parties of the responsibilities incumbent on them for best business practices and sound financial management, including reference to the principles within this policy.

The University must communicate effectively with external parties, such as students, parents, funding providers, contractors, suppliers, regulators, and other stakeholders. All personnel must receive a clear message from the University's administration that control responsibilities are to be taken seriously. Failure to comply with established practices will subject individuals to the terms of disciplinary action or dismissal. The Senior Vice Chancellor of Business and Financial Affairs, in consultation with Human Resources and Inclusive Community, General Counsel, Internal Audit, and the Controller's Office, has the authority to evaluate such concerns.

All campus systems, processes, operations, functions, and activities are subject to evaluations of internal control systems. The results of these evaluations provide information regarding the University's overall system of control and will be communicated promptly to the units involved as well as the Board of Trustees.

<b>Revision Effective Date</b>	<b>Purpose</b>
<i>9/28/2020</i>	<i>Policy Adopted and Approved</i>
<i>6/28/2021</i>	<i>Minor Revisions</i>
<i>11/10/2021</i>	<i>Minor Revisions</i>