**Internal Control Policy Guidance**

**What are internal controls**

Internal controls are an integrated system to assess risks, determine how to mitigate those risks, and protect resources. An internal control plan is a system of checks and balances and includes established ways to prevent and detect intentional and unintentional errors. Controls can be designed to be preventive or detective.

* A preventative control activity is one that prevents a control breakdown from happening such as approval of expenditures prior to submittal for processing.
* A detective control is one that catches the control breakdown after it occurs such as an unapproved expense report being returned by the disbursements team to the home department to obtain the necessary approvals.

**Why internal controls are important**

An internal control plan can be viewed as an effort to ensure employees, including management, conduct business in an effective and efficient manner to safeguard the University’s assets and interest, to avoid waste, abuse, and fraud, to maintain an ongoing and viable entity, to maintain records and a general ledger that support accurate financial reporting.

By following an internal control plan, the University community can prevent waste, abuse, and fraud and ensure resources are available to carry out the University’s mission.

An internal control plan includes transaction controls to ensure personnel and financial activity is properly recorded in the general ledger. An accurate general ledger supports the preparation of the University’s financial statements. Complete and accurate financial statements prepared in accordance with U.S. generally accepted accounting principles convey the University’s financial health to federal awarding agencies, banks and the general public. Procedures and responsibilities are established and maintained to facilitate a timely review of external financial statements prior to audit.

The University receives awards which support its research program and is part of the financial aid to the students. Awards have requirements which must be met to fulfill the terms of the awarding agencies and individual award documents. An internal control plan includes practices and procedures to ensure the University meets the conditions stipulated by the awarding agencies.

**Responsibility**

Everyone at the University is responsible to conduct University business according to the policies and procedures established in support of the internal control system. Compliance with the University’s internal controls is a collective responsibility of the campus community. Depending upon your role at the University you will have varying degrees of control responsibilities such as approval of transactions, reconciliation of accounts, timely and accurate reporting of your time and potential approval of a staff member’s time. Each department should identify control owners (one or more individuals) who’s responsibility is to ensure compliance with this policy.

**Controls Best Practices**

* **Segregation of Duties** – To prevent the occurrence of undetected errors or fraud, responsibilities must be divided so that one individual does not control all aspects of a transaction.
  + Examples include not having the same person approve payroll as the person entering the hours (i.e, employees should not approve their own time)
* **Safeguarding Assets** – Assets and records must be kept secure at all times to prevent unauthorized access, loss or damage. The security of assets and records is essential for accurate operations.
  + Examples include locking up any petty cash on hand and periodically counting. Ensuring appropriate receipts are included for any usage.
* **Review and Approval** – Review and approval of internal processes should be obtained from a knowledgeable and independent party.
  + Examples include reviewing and approval of all expense reports by the supervisor prior to the submission to disbursements for processing.
* **Timeliness** – Make all efforts to meet prescribed deadlines and prioritize critical work to avoid fines and negative impacts on operational processes.
  + Examples include timely submittal of account reconciliations. Account reconciliations are a critical control and timeliness is even more important as it helps to ensure matters are identified and addressed timely.
* **Documentation** – Provide evidence for transactions to support accuracy and consistency.
  + Examples include documentation of receipts for travel expenses that are above the University’s travel receipt floor of $50.00. This documentation is necessary to conclude on accuracy and business purpose.

The university’s internal control program is a system of accountability and includes all the plans and actions that assure reasonable control over university operations. Control activities, which occur throughout the organization at all levels and functions, help ensure that necessary actions are taken to address risk while achieving the university’s objectives. Internal controls are owned by the individuals performing the university’s operations and every employee is responsible for ensuring that the program is effective in achieving the university’s mission. Employee competence and professional integrity are essential components of a sound internal control program.

While internal controls, themselves, are owned by the employees responsible for the control, along with their managers or supervisors, the internal control program is supported at the highest levels of university management. An effective internal control system provides reasonable assurance that the university will achieve its mission. Reasonable assurance is a concept that recognizes the cost of internal controls should not exceed the benefits. Managers must use judgment and estimates to assess cost, benefit, and risk and develop controls that support achievement of department goals and safeguard assets, provide reliable information, and meet compliance requirements.

**Effective Control**

Management-directed, -authorized, and -monitored performance, which includes periodically comparing actual with planned performance, and documenting these actions to provide reasonable assurance that organizational goals will be achieved.

**Professional Integrity**

Demonstrate behaviors that show a commitment to consistent and willing adherence to guidelines and policies as well as to ethical conduct in support of the mission of the university.

**Reasonable Assurance**

In the normal course of their assigned duties, employees will prevent errors or improper acts and will detect and correct them within a reasonable time, thereby mitigating their detrimental effects.

**Risk**

A probability or threat of damage, injury, liability, loss or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

**Managers and Supervisors Responsibility**

* Establish, maintain, and support an effective system of internal controls within their areas of responsibility.
* Coordinate with the Director of Business Compliance and Internal Controls to periodically review and test the system of internal controls.
* Identify and implement appropriate corrective actions.

**All Employees Responsibility**

* Fulfill the duties and responsibilities
* Monitor their work to ensure it is done properly and that errors are corrected promptly.
* Follow university and department policies and procedures.
* Safeguard resources against waste, loss, unauthorized use, and misappropriation.
* Attend education and training programs to increase awareness and understanding.
* Report breakdowns in internal control systems to their supervisor.

**Resources**

* Comptroller’s Office
* Internal audit