

Policy Analysis: Internal Controls #1.11 – 1/2009

Policy Objective:

To ensure that University funds are used in a responsible and appropriate manner consistent with the University's mission, applicable law, and ethical practice.

Applies To:

Any and all employees of the University.

Explicit Policy Requirements (Items for which non-compliance will result in a policy Exception):

The following items are explicitly defined in the policy and should be considered as policy requirements; items which if not followed, will result in policy "exceptions."

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">Internal control requirements must be in place within each decentralized area in order to create an environment of accountability with effective monitoring and oversight.	1	II. B
2	<ul style="list-style-type: none">At least 2 people are involved in every transaction.	2	III. B
3	<ul style="list-style-type: none">Every transaction is approved for business purpose by individuals who have the business knowledge and authority to determine the appropriateness of the transaction without gratuitous influence or interference by the transaction initiator.	2	III. B
4	<ul style="list-style-type: none">Every transaction is approved for compliance by individuals who have received training on University business policies.	2	III. B
5	<ul style="list-style-type: none">University resources are protected against loss and unauthorized use or disposition.	2	III. B
6	<ul style="list-style-type: none">Financial data is reconciled in a timely manner.	2	III. B
7	<ul style="list-style-type: none">Approvers are held accountable for transactions approved.	2	III. B
8	<ul style="list-style-type: none">Each operating unit is required to develop and maintain an Internal Control Structure document that has been formally approved by the appropriate Dean/VP and distributed to all employees within the unit who have responsibility for financial related functions or processes.	2	I. A
9	<ul style="list-style-type: none">Required components of the ICS – Definition of process flow for payroll, procurement, revenue, cash receipts, and other GL transactions including specification of required documentation and approvals. Process flows must provide for appropriate segregation of duties between transaction initiators and approvers as well as review and approval for business purpose and policy compliance. For areas that are too small to implement effective segregation of duties, functions should be aggregated across areas to ensure requirements are met.Definition of roles and responsibilities of transaction approvers.Description of procedures, roles, and responsibilities related to custody over University resources, including equipment, inventories,	2	I. B

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	<p>cash receipts, petty cash and change funds, access to facilities, and other assets that are susceptible to theft or misuse.</p> <ul style="list-style-type: none"> • Delegation of signature authority documentation approved by the Dean/VP, specifying for each area and each transaction type the individuals who are authorized to approve transactions. • Transaction reconciliation requirements for each transaction type. • Procedures for resolving discrepancies and escalating issues or concerns. 		
10	<ul style="list-style-type: none"> • Delegation of Signature Authority – Each area is required to develop and maintain a delegation of signature authority document, approved by the Dean/VP. 	3	II. A
11	<ul style="list-style-type: none"> • The delegation of signature authority must specify for each area and each transaction type the individual(s) who are authorized to approve transactions for business purpose and for compliance. 	3	II. B
12	<ul style="list-style-type: none"> • Individuals should only be authorized to approve business purpose on transactions initiated by individuals for whom they have sufficient authority. 	3	II. C
13	<ul style="list-style-type: none"> • The following language is required in the Summary of Duties portion of position descriptions of all deans/VPs: <i>“Responsible for establishment and maintenance of a financial and operational processing environment that is focused on appropriate internal controls. This should include, but not be limited to, appropriate segregation of duties in the processing of every financial transaction, appropriate mandatory approvals, appropriate procedures to maintain effective custody over University resources, appropriate monitoring and oversight and appropriate mandatory reconciliations.”</i> 	3	III. B
14	<ul style="list-style-type: none"> • The following language is required in the Summary of Duties portion of position descriptions of all senior fiscal officers: <i>“Responsible for oversight and maintenance of the established financial and operational processing environment to ensure adherence to established internal control structures. This should include, but not be limited to, appropriate segregation of duties in the processing of all financial transactions, appropriate mandatory approvals, appropriate procedures to maintain effective custody over University resources, appropriate monitoring and oversight and appropriate mandatory reconciliations.”</i> 	4	III. C
15	<ul style="list-style-type: none"> • Expanded language, providing the specifics relative to the individual units, should then be included in the Duties and Responsibilities section of each position description for Deans/VPs and senior fiscal officers. Typically, this language is part of the duties associated with the administrative components of these positions and should represent a significant portion of the position. 	4	III. D
16	<ul style="list-style-type: none"> • Organization Structure – Each area is required to maintain a governance reporting structure that provides the senior fiscal officer 	4	IV. A

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	with the appropriate level of authority to effectively oversee, maintain, and assess internal controls.		
17	<ul style="list-style-type: none"> At a minimum, each senior fiscal officer should have a reporting line responsibility directly to the Dean/VP of the area and should be formally assigned authority (straight line or dotted line) over all fiscal managers and personnel involved in the area's internal control structure, including payroll processing controls. 	4	IV. B
18	<ul style="list-style-type: none"> Policy Compliance – Employees who have been delegated the authority and privilege to purchase approved goods and services on behalf of the University, approve human resources activity and/or maintain custody over University resources must agree to abide by all policies set forth by the University including: the Financial Code of Ethics, University Expenditure Policies, Procurement Card Policies, Travel Policies, Human Resources Policies, Cash Handling (including petty cash and change fund) Policies, and Equipment Policies. 	4	V.
19	<ul style="list-style-type: none"> Monitoring and Oversight – Ongoing monitoring and oversight must occur in the course of normal operations and include regular management and supervisory activities. Adequate supervision of personnel and other monitoring activities are required to ensure the reliability of accounting and/or operational controls by pointing out errors, omissions, and inconsistencies in the application of procedures. 	5	VI. B & C

Summary of Potential Policy Exceptions:

- At least 2 people are not involved in every transaction.
- Transactions are not approved for business purpose by the appropriate individuals.
- University resources are not protected against loss and/or unauthorized use or disposition.
- The operating unit has not developed an internal control structure document and/or the document has not been formally approved by the Dean/VP.
- The required internal control structure components are not included in the internal control structure.
- The area does not have an approved delegation of signature authority.
- The delegation of signature authority does not specify for each area and each transaction type the individual(s) who are authorized to approve transactions for business purpose and compliance.
- The Summary of Duties portion of the position description for the Dean/VP does not include the required language.
- The Summary of Duties portion of the position description for the senior fiscal officer does not include the required language.
- Expanded language, providing the specifics relative to the individual units, is not included in the Duties and Responsibilities section in the Dean/VP and senior fiscal officer position descriptions.

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- The unit does not maintain the required governance reporting structure that provides the senior fiscal officer with the appropriate level of authority.
- The senior fiscal officer does not have a reporting line responsibility directly to the Dean/VP and/or does not have formally assigned authority over all fiscal managers and personnel involved in the area's internal control structure, including payroll processing controls.
- Ongoing monitoring and oversight is not occurring in the course of normal operations and/or does not include regular management and supervisory activities.
- Individuals delegated authority and privilege to purchase goods and services on behalf of the University, approve human resources activity, and/or maintain custody over University resources do not abide by all policies set forth by the University (i.e., the Financial Code of Ethics, University Expenditure Policy, Procurement Card Policy, Travel Policy, Human Resources Policies, Cash Handling Policies, and Equipment Policies).
- Transactions are approved for compliance by individuals who have not received training on University business policies.
- Financial data is not reconciled in a timely manner.
- Approvers are not held accountable for the transactions they approved.
- Individuals are authorized to approve business purpose on transactions initiated by individuals for whom they do not have sufficient authority.
- Adequate supervision of personnel and monitoring activities is not performed.

Policy Areas of Potential Student Life Interpretations and/or Follow-up with Business & Finance:

The following items are potential areas of policy interpretation, left to the discretion of Student Life:

Ref #	Description	Page	Para
1	• Financial data is reconciled in a timely manner. What is considered timely?	2	III. B. 5
2	• Transaction reconciliation requirements for each transaction type. Define.	3	I. B. 5
3	• Ongoing monitoring and oversight should occur in the course of normal operations and include regular management and supervisory activities. What should the units be doing to monitor activities?	5	VI. B.

Areas of Consideration for Defining as “Reasonable” in the ICS:

N/A

Potential Training Topics:

Institutional Data Policy

Business Responsibilities

Business Expenditures

Understand & Prevent Fraud

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Internal Controls

Travel Policy

Travel Approver

Stewardship of Endowment & Gift Funds

Cash Handling

Identity Theft Red Flags

Pcard Policy Overview

Pcard Approver

Prep Training

Payroll Certification