

Purpose

This policy provides guidelines for the implementation of internal control programs at Virginia State University (VSU) (also called *the University*.) Internal Control programs give reasonable assurance that University program objectives are being achieved in an effective and efficient manner, that the University's accounting records are sufficiently reliable to permit the preparation of reliable and accurate financial statements, that University assets are safeguarded from unauthorized use and disposition, and that the University is in compliance with applicable laws and regulations. Internal Control programs also provide mechanisms that prevent, detect and correct undesirable behavior. In evaluating an effective system of internal control, the cost of the control(s) must be evaluated against the risk to the University in the event of failure.

Authority, Responsibility, and Duties

Everyone in the University has some responsibility for risk management and internal controls. The President, Vice Presidents, Departmental Managers, Supervisors and all University employees share this fiduciary responsibility. The fiduciary role applies in varying degrees to all University employees regardless of any individual's position, title or responsibility. The assessment of Internal Controls must be documented in accordance with the Commonwealth's *Agency Risk Management and Internal Control Standards (ARMICS)*.

The following responsibilities are specifically charged to University employees:

The President has ultimate responsibility for ensuring that the University has an established and working internal control environment that meet requirements of internal control as defined below; sets the highest ethical standards for all employees and establishes a "corporate culture" that values ethical behavior. The President's responsibility includes annually certifying the assessment of the University's internal controls to the Office of the Comptroller.

Vice Presidents, Department Heads, Managers and Supervisors have an understanding of internal controls and control concepts; must ensure that appropriate controls are in place for their area(s) of responsibility, to include having policies and procedures for all fiscal processes; must periodically assess/evaluate controls and document these controls; must follow all applicable University policies, particularly the *Code of Ethics Policy* and model ethical behavior in all official actions taken on behalf of the University; and must serve as a fiduciary of the University and Commonwealth assets.

The **Controller's Office** is responsible for designing, testing, and documenting the University's internal control systems in accordance with the Office of the Comptroller's Directives for *ARMICS*.

University employees must comply with all applicable University policies, particularly the *Code of Ethics Policy* and model ethical behavior in all official actions taken on behalf of the University and must serve as a fiduciary of the University and Commonwealth assets.

Definitions

- Internal Control:** An ongoing process led by the President to provide reasonable assurance that the following objectives will be achieved:
- That the University has effective and efficient operations
 - That the University has reliable financial reporting

Virginia State University
Policies Manual

Title: Internal Control Policy

Policy: 5007

- That the University is in compliance with applicable laws and regulations
- That the University safeguards its assets

Control Components: Each of these areas of internal control must be documented and assessed annually:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Control Activities: Policies and procedures established and implemented to help ensure the risk response are effectively carried out. Control activities occur throughout the University at all levels and in all functions. They include:

- Authorization
- Review and approval
- Verification
- Reconciliation
- Physical security over assets
- Segregation of duties
- Education and training
- Performance planning and evaluation

Monitoring: The process of assessing the presence and functioning of internal control components and making continuous improvements.

Risk: A factor that could prevent an individual, group, or agency from accomplishing an objective as intended or planned.

Inherent Risk: The risk that one or more factors will prevent an objective from being accomplished if the University does not implement risk mitigation measures.

Residual Risk: The risk that remains after management responds to inherent risk. Once risk responses have been developed, management then considers residual risk.

Risk Assessment: The process of analyzing potential events and determining what impact they may have on achieving University objective.

Corporate Culture: The University's "corporate culture", showing how much management and University leaders value ethical behavior and internal control.

Fiduciary: Of, relating to, or involving one that holds something in trust for another.

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Policy Statement

Virginia State University will plan and take systematic and proactive measures to (a) develop, implement, and maintain adequate and cost effective internal control over the recording of financial transactions in the Commonwealth's general ledger and in the University's general ledger, comply with the Commonwealth's financial reporting requirements, comply with laws and regulations and stewardship over the Commonwealth's and University's assets; (b) periodically(annually) assess the adequacy of internal control and risks facing the University and identify needed improvements; (c) take corresponding preventative and corrective actions; (d) report annually on internal controls to the Office of the Comptroller; and (e) take action to remediate any deficiencies noted by the Department of Accounts and Auditor of Public Accounts. The University will carry out and implement its internal control process in accordance with the standards established by the State Comptroller-*Agency Risk Management and Internal Control Standards (ARMICS)*.

References

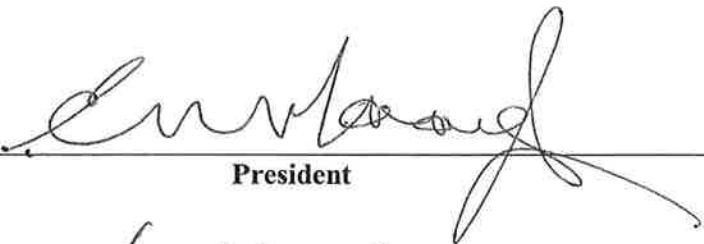
VSU Policy: 1700, Code of Ethics Policy

VSU Policy: 1001, Fraud Reporting

CAPP Topic Number 10305 – Internal Control

Comptroller's Directives for *Agency Risk Management and Internal Control Standards (ARMICS)*

Approval By:



President

Date:

6-22-10
