



GUIDELINES

FOR IMPLEMENTATION OF 6-711 "INTERNAL CONTROL RESPONSIBILITIES"

- A. These guidelines are intended to assist the universities in implementing ABOR Policy 6-711 "Internal Control Responsibilities." These guidelines may be revised by a majority vote of the Audit Committee or other ABOR committee having similar responsibilities. These guidelines are subject to applicable law.
- B. "Internal control" is a process intended to provide reasonable assurance that the following objectives are met:
 - 1. Effectiveness and efficiency of operations;
 - 2. Reliability of financial reporting; and
 - 3. Compliance with applicable laws and regulations.
- C. Internal control consists of five interrelated components that are derived from basic university operations and administrative processes. The five components are:
 - 1. Control environment - the core of any university is its people and the internal control environmental tone set by senior management. The people and the control environment are the engine that drives the organization. Their individual attributes (integrity, ethical values, and competence) and the environment in which they operate set the tone for the organization and determine the sincerity with which the institution embraces the control environment.
 - 2. Risk assessment – risk assessment is the process of identifying, analyzing, and managing risks related to the accomplishment of the board's and the universities' objectives. Risk types include strategic, reputational, financial, legal, human resources, compliance, and operational. Risks to be managed consist of downside risks and upside risks.
 - 3. Control activities - control activities are the policies and procedures established and executed to help ensure the actions necessary to address risks and assure that the board's and each university's objectives are effectively carried out. Examples of control activities include policies and procedures related to authorization, security of assets, and reviews of operating performance, among others.
 - 4. Information and communication – information must be timely and communicated in a manner that enables people to carry out their responsibilities.
 - A. All personnel must receive a clear message from senior management that control responsibilities must be taken seriously.
 - B. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others.
 - C. Employees must have a means of communicating significant information to the leadership.



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- D. The university must communicate effectively with external parties, such as students, parents, funding providers, contractors, suppliers, regulators and other stakeholders.
- 5. Monitoring – monitoring is the process that assesses the quality of internal control performances over time. A properly monitored system must react dynamically to changing conditions.
- D. The system of internal control must be under constant review by administrators and supervisors at all levels to determine that:
 - 1. Prescribed policies and procedures are being interpreted properly and are being carried out;
 - 2. Changes in operating conditions have not made the procedures cumbersome, obsolete, or inadequate; and,
 - 3. Corrective measures are taken promptly when systems breakdowns appear.
- E. Academic and nonacademic administrators at every level are responsible for managing their units consistent with the board and university policies and controls established.
 - 1. President
 - A. Ultimate accountability for establishing, maintaining and monitoring a system of internal control, and the setting of a positive tone-at-the-top for the internal control environment at each university rests with the president.
 - B. The president may delegate all or a portion of the implementation to other senior managers.
 - 2. Chief financial or business officer
 - A. Responsible for establishing and implementing the university's internal control structure,
 - B. Coordinates external audits and similar evaluations,
 - C. Advises administrators as necessary regarding fiscal policies and procedures, and
 - D. Reports annually to the Audit Committee on behalf of the university regarding the implementation and effectiveness of the university internal control structure. The report will include specific information about implementation, such as descriptions of:
 - 1. How internal control requirements are communicated to employees and supervisors,
 - 2. How compliance with internal control requirements are measured in employee evaluations, and
 - 3. The employment consequences imposed for serious internal control violations for the reporting period.
 - 3. Provosts, vice presidents, deans and other management positions



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- A. Responsible for developing, maintaining, and enforcing effective control system policies and procedures within their areas.
- 4. Chief audit executive
 - A. Through the execution of the annual audit plan, responsible for the periodic review of the internal control environment to determine whether adequate internal controls exist and are operating effectively.
 - B. To include observations and recommendations for improved internal controls in the audit reports submitted to the audit committee and university administration for appropriate action.
- 5. All employees
 - A. All administrators, business managers and fiscal agents shall be responsible for their unit's internal controls, for operating their units in accordance with university and board policies and procedures, for the preparation of justifiable budget requests, for periodic reviews of their budgets, and for operating their units within the budgets provided.
 - B. All employees are responsible for complying with university and board internal control policies.
- F. University policies
 - 1. Each university shall issue and update policies and procedures, which shall be disseminated and/or made available to all personnel of the university.
 - 2. Adherence to the system of internal control shall be promoted by university management and those in positions of authority who have the responsibility for:
 - A. Setting expectations for individual accountability for internal control responsibilities, which includes ensuring adequate separation of duties;
 - B. Ensuring employees receive training related to the internal control responsibilities of their positions; and
 - C. Ensuring these expectations are documented, discussed, monitored regularly, included in annual performance evaluations, and as appropriate, considered in decisions regarding job retention, promotion, and salary adjustment.
 - 3. Any individual, including an employee, supervisor, or manager, who does not act responsibly with regard to the provisions in a university or board internal control policy is subject to corrective action, performance improvement, or disciplinary action.

as approved, September 2007