



**Number:** 0-023  
**Title:** Internal Control  
**Responsible Office:** Office of Internal Audit

**Date of Origin:** 8-4-17

**Date Last Amended:** 6-24-20 (technical)

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## **I. PURPOSE AND INTENT**

The purpose of this Policy is to communicate the University of South Florida's (USF or University) internal control objectives as set forth by the USF Board of Trustees. This Policy establishes standards in the design and implementation of the system of internal controls for USF.

These internal controls are put in place in order to reduce USF's exposure to financial, operational, strategic, compliance, and reputational risks. This system of internal controls is designed to promote effectiveness and efficiency in operations, minimize risk of asset loss, help ensure the reliability of financial and operational information, and support compliance with applicable laws, rules, and regulations. Internal controls provide reasonable assurance for mitigating risk; however, no system of control can provide absolute assurance.

USF has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Control Framework which outlines the key components of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring activities. All five components must be in place and operating for the system of internal controls to be effective.

## **II. APPLICABILITY**

This Policy applies to all USF Employees and direct service organizations within USF.

## **III. AUTHORITY AND RESPONSIBILITY**

- A. The USF Board of Trustees is responsible for setting the expectations for internal controls and ensuring executive leadership is aware of these expectations.

- B. University Leadership, as defined below, is responsible for the application of this Policy and for the design, development, implementation, and maintenance of an effective system of internal controls within their respective areas of responsibility. This includes prompt corrective action on all internal control findings and recommendations made by internal and external auditors.
- C. University Leadership has the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within, and contribute to, an effective internal Control Environment. This includes, but is not limited to, providing access to appropriate training on topics relevant to their job responsibilities.
- D. USF Compliance & Ethics Program is responsible for assisting management, upon request or at the direction of the Board of Trustees or the President, in the design and implementation of internal controls, particularly for cross-jurisdictional compliance risks, e.g., regulatory risks affecting more than one University Leadership area or more than one USF Campus.
- E. Internal Audit (IA) is responsible for reviewing the adequacy of departmental and USF's internal controls and for reporting any weaknesses to appropriate management and the Board of Trustees. All levels of internal control are subject to examination by internal and external auditors.

#### IV. DEFINITIONS OF TERMS

- A. **Business Function** - A generic term broadly used in this Policy to refer collectively to programs, departments, colleges, units, museums, theatres, centers, institutes, etc. "Business", in this instance, is not intended to be limited to traditional administrative functions, but rather to also refer to functions carried out in the academic and patient-centered areas where fiscal and budgetary responsibility rests.
- B. **Control Activities** - Processes and procedures put in place by the USF Board of Trustees, University Leadership, management, and other personnel, designed to provide reasonable assurance of effectiveness and efficiency of operations; safeguarding of assets; reliability of financial and operational reporting; and compliance with USF policies and procedures, applicable laws, and regulations. Controls can be classified into two types: *Preventative Controls* and *Detective Controls*. A system of effective internal controls helps identify and manage risks. Internal control systems vary depending upon the operating environment, including the size of the Business Function, its diversity of operations, and the degree of centralization of financial and administrative management.
- C. **Control Environment** - Core to any university is its people, and the internal Control Environmental tone is set by its leaders. 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 USF embraces the Control Environment. This is also known as "tone at the top".

- D. **Detective Controls** - Controls designed to find errors or other issues after they occur so that corrective action can be taken. Examples include taking physical inventories of assets to compare to recorded assets, reconciliations of bank and accounting records, variance analysis, and periodic audits and reviews.
- E. **Information and Communication** - Pertinent information that is identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities. Internal control is about people, operations, communications, and the work environment. It is not about policies and forms, though it takes shape through the implementation of relevant policies, procedures, and practices.
- F. **Monitoring** - Process that assesses the quality of internal controls over time. An effective system is able to react dynamically to changing conditions.
- G. **Preventative Controls** - Internal controls designed to catch or prevent errors and irregularities before they occur. Examples of Preventative Controls include the provision of procedure manuals and training, separation of duties in accounting processes, proper approval of transactions, the requirement of adequate documentation for transactions, and physical security measures such as locking doors and otherwise controlling assets.
- H. **Risk Assessment** - Process of identifying and analyzing risks related to the accomplishment of the USF objectives. Risk types include financial, operational, strategic, compliance, and reputational.
- I. **University Leadership** - USF Employees who are given fiscal, budgetary, and operational responsibility over a Business Function, as defined below. This includes those with administrative appointments serving as department chairs, deans, vice presidents, and anyone who is in a position to direct how USF's financial, capital, and human resources are utilized.
- J. **USF Employee** - A person in one of the following position types: faculty, administration, staff, or temporary. Temporary employees include any person in an Other Personnel Services (OPS) position type.

## V. PROCESS STEPS/SPECIFIC PROVISIONS

- A. University Leadership responsible for a Business Function is expected to:
  1. Set an appropriate "tone at the top" that reflects USF's values and commitment to ethical conduct.
  2. Establish and maintain an effective system of internal controls designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
    - a) Effectiveness and efficiency of operations;
    - b) Safeguarding of assets
    - c) Reliability of financial and operational reporting; and

- d) Compliance with USF policies and procedures, applicable laws, and regulations.
  3. Provide USF Employees with policies and procedures that adequately communicate controls procedures in place, expectations for compliance, and consequences for non-compliance.
  4. Take steps to ensure appropriate separation of duties so that one person's work routinely serves as a check on another's work and no one person has complete control over more than one key function or activity (e.g., separate authorizing, approving, certifying, disbursing, receiving, or reconciling activities).
  5. Understand the system of internal controls in sufficient detail to support ongoing Monitoring of the systems' effectiveness.
  6. Provide for adequate supervision over those performing control functions to monitor that internal controls are operating as intended by pointing out errors, omissions, exceptions, and inconsistencies in procedures, and working with them to implement corrective and/or preventative measures.
  7. Ensure departmental accounting and operational records and documents are examined and/or approved by USF Employees who have sufficient understanding of USF's accounting, financial, and operational systems; and verify that recorded transactions actually took place and were made in accordance with USF policies and procedures.
  8. Take steps to strengthen internal controls when significant weaknesses are detected.
  9. Perform or update the annual Risk Assessment to assess the effectiveness of the internal control system in mitigating risk to an acceptable level.
- B. USF Employees assigned financial and/or budgetary duties must:
1. Understand their own roles in the internal control system, how individual activities relate to the work of others, and have a means of communicating significant information to USF's Leadership. This includes disclosing any actual or potential conflicts of interest, which may result from their assigned financial role and the assigned financial role of a "related person", as defined by [USF Policy 0-027](#), who is also a USF Employee.
  2. Certain USF Employee types are required to annually review and confirm their internal control responsibilities as part of their annual Florida Code of Ethics (FCOE) disclosure in the eDisclose system. This annual FCOE disclosure is required under [USF Policy 0-027](#) for the following USF Employee position types:
    - a. All faculty members;
    - b. All administration employees;
    - c. All staff employees issued a Procurement Card (PCard) or FAST role; and
    - d. All temporary employees issued a PCard or FAST role.

- C. Internal Audit, external auditors, and/or representatives from the USF Controller's Office have the authority to review and measure the effectiveness of the controls established within the framework of this Policy as they relate to USF's accounting, financial, and operating systems. In addition, they have the authority to make recommendations for improvements in internal controls. Upon issuance of an internal audit report, management is responsible for responding to findings and for implementing appropriate changes.

**\*Current Responsible Office: Office of Internal Audit**

**\*Refer to the appropriate Responsible Office website for a current name of the Vice President or other Responsible Officer.**

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*Consolidation Amendments Effective: 7-1-20.*