OSVPCFO Policy I-470

“Internal Controls”

(www.indiana.edu/~vpcfo/policies/accounting/i-470.html)
Reason for Policy

To establish responsibility for internal controls and convey the importance of internal controls for IU units.
Definition: Internal Controls

A system of specific policies and procedures designed to provide management with reasonable assurance...
Definition: Internal Controls (cont’d)

...that the goals and objectives it believes important to an entity will be met through promotion of operational efficiency,...
Definition: Internal Controls (cont’d)

...and effectiveness, provide reliable financial information, safeguard assets/records, encourage adherence to...
Definition: Internal Controls
(cont’d)

...prescribed policies and compliance with regulatory agencies.
Policy

The Trustees and senior executives consider internal controls to be crucial...
Policy (cont’d)

...regarding the safekeeping of University assets and the achievement of operational, financial reporting and compliance objectives.
Policy (cont’d)

The OSVPCFO is responsible for ensuring that an adequate internal control structure is in place.
Policy (cont’d)

The OSVPCFO makes sure that appropriate financial policies and standard operating procedures exist...
Policy (cont’d)

...and are incorporated into appropriate business rules, controls and financial systems...
Policy (cont’d)

...and a tone of ethical behavior and compliance is maintained by senior financial staff.
Policy (cont’d)

UA and campus administrators and fiscal officers are responsible to build and maintain an internal control environment...
Policy (cont’d)

...at the responsibility and department level. Which includes requiring staff to be well trained, educated on university financial policies...
Policy (cont’d)

...and a tone of ethical behavior and compliance is maintained by leadership of the RC or department.
Policy (cont’d)

Internal Audit is responsible for the independent review and assessment of adequacy and effectiveness of internal controls at all levels of the University.
Internal Audit Role

Internal Audit must remain independent and objective, hence, they have no responsibility for establishing and maintaining the University’s internal controls.
Basic Concepts

* Management, not auditors, must establish and maintain the internal controls.
Basic Concepts (cont’d)

* Internal control structure should provide reasonable assurance that financial reports are correctly stated.
Basic Concepts (cont’d)

* Controls should be applied to manual and computerized systems.
Environment

• Tone is set at the top by the Board of Trustees and senior executives.
• Organizational structure promotes separation of duties and decreases conflicts of interest.
Environment (cont’d)

• Proper training and development of competent personnel.
• Appropriate policies and procedures exist.
• An Internal Audit function.
Environment (cont’d)

• Systems must have built-in business rules and controls.
• External entities that include external auditors and an adherence to compliance guidelines and standards.
Cross-References

Role of Fiscal Officer, Account Manager and Account Supervisor:
www.indiana.edu/~vpcfo/accounting/i-1.html
Questions?