B-002 Internal Controls Policy

President Shalala’s introductory message in the Business Conduct and Ethical Standards handbook provides context for this policy:

“The University of Miami works tirelessly to be among the best educational, research, and patient care institutions in the nation. We aim, too, to be a highly respected and trustworthy business partner in our community. We hold ourselves, as well as those with whom we do business, to the highest of business and ethical standards.”

I. Purpose

The purpose of this policy is to communicate the University’s expectations for the establishment of standards for the design and operation of the University’s system of internal controls. Strong internal controls are necessary to reduce the University’s exposure to various risks such as strategic, reputational, financial, legal, human resources, compliance, and operational risks.

II. Definitions

A. Internal Control - is broadly defined as a process, or series of processes, implemented by an entity’s leadership (Board of Trustees, management and other personnel) designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. A system of effective internal controls helps identify and manage risks in the achievement of these objectives. Internal controls provide an assurance of reliable results based on repeatable and predictable processes.

B. Control Environment - the core of any university is its people; and the internal control environmental tone is set by its leaders (i.e. “tone at the top”). Their demonstration of integrity, ethical values, and competence, as well as their commitment to excellence, determine the sincerity with which the institution embraces the control environment.

C. Risk assessment – is the process of identifying, analyzing, and managing risks related to the accomplishment of the Board’s and the University’s objectives.
D. **Monitoring** – is the process that assesses the quality of internal controls over time. An effective system is able to react dynamically to changing conditions.

E. **Business Function** – a generic term broadly used in this policy to refer collectively to programs, departments, colleges, units, hospitals, 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 responsibilities lie.

F. **Leaders** – faculty and staff in leadership roles who are given fiscal and budgetary responsibility over a business function. This includes being in a position to direct how University financial, capital and human resources are utilized.

### III. Policy

A. **Administration of Policy** – Leaders are responsible for the design, development, implementation, and maintenance of an effective system of internal controls within their areas of responsibility. They are further responsible for setting an appropriate “tone at the top” by modeling a commitment to ethical standards and strong internal controls consistent with the University’s commitment to these objectives.

B. **Design of Internal Control Systems** - Each business function must establish and maintain an effective system of controls designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with University policies and procedures, and applicable laws and regulations.

C. **Operation of Internal Control Systems** – Leaders should understand their internal control systems in sufficient detail so as to support ongoing monitoring of the systems’ effectiveness and relevance.

D. **Management Override** - Because leaders are responsible for setting an appropriate tone at the top and for the integrity of the internal control systems within their areas of responsibility, they are explicitly prohibited from overriding established controls or otherwise exerting undue influence intended to cause other faculty and staff to violate policy or laws and/or circumvent internal controls.

Effective 4/16/2012
E. **Effective Delegation** – Leaders may delegate certain tasks and responsibilities, if not otherwise prohibited. However, they remain accountable for the quality of the work performed by others and must assure that the individuals receiving delegations have the necessary knowledge, skills, and abilities to do the work.

F. **Information and Communication** – Information must be timely and communicated in a manner that enables people to carry out their responsibilities. Specifically:

1. All personnel must receive a clear message from their leaders that control responsibilities must be taken seriously.
2. Employees must understand their individual roles in the internal control system, as well as how the activities of an individual relate to the work of others.
3. Employees must have a means of communicating significant information to leaders.
4. The University must communicate effectively with external parties, such as students, parents, funding providers, contractors, suppliers, regulators and other stakeholders.
5. Leaders have the responsibility to assure 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 providing access to appropriate training on topics relevant to their job responsibilities.

G. **Review and Evaluation of Internal Controls** – Internal Audit, external auditors, and representatives from the 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 the University'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 changes as appropriate, in a timely fashion.

H. **Segregation of Duties** - Leaders must take steps to assure that duties are appropriately segregated such that no one person has control over all aspects of a particular transaction and that key responsibilities involving custody of assets, review and approval, and reconciliations are segregated.
I. **Addressing Concerns** – Any faculty or staff member with concerns regarding weaknesses in internal controls or suspected fraudulent activity should discuss their concerns with their manager or supervisor. If there is a concern regarding raising the issue with the immediate manager or supervisor, or next level management, then the issue should be reported directly to either the University Controller, Internal Audit, or via the University’s compliance hotline ‘Cane Watch www.canewatch.EthicsPoint.com. Interfering with an investigation or retaliating as a result of a concern being raised may be cause for disciplinary action, up to and including termination.

IV. **Procedures**
   A. The Controller’s Office offers training on the establishment and maintenance of effective controls related to financial transactions and processes. Leaders are responsible for assuring staff in financial positions and those with oversight over financial positions have received appropriate training in order to accomplish the objectives of this policy.

   B. Subsequent to an internal or external audit finding involving internal controls or fraud, leaders must make appropriate staff available to the Controller’s Office to work collaboratively on internal control improvements.

   C. All allegations of financial impropriety must be reported immediately to the Controller’s Office, who will be responsible for review and resolution of the allegations, with the assistance from other offices.

V. **References**
   A. University of Miami *Business Conduct and Ethical Standards for Faculty and Staff*
   B. Fraud Policy B-003
   C. Committee of Sponsoring Organizations of the Treadway Commission (COSO)
   D. Whistleblower Protection Statement
      [http://www6.miami.edu/policies/hr/WhistleblowerProtectionStatement.pdf](http://www6.miami.edu/policies/hr/WhistleblowerProtectionStatement.pdf)

VI. **Policy Owner**
The University Controller’s Office is the primary source of information, education, and assistance to faculty and staff leadership on this policy.

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