



What is Internal Control?

Internal Control is the process, affected by an entity's 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
- Compliance with applicable laws and regulations
- Safeguarding Assets

Types of Internal Controls

- **Preventive controls** are designed to discourage or pre-empt errors or irregularities from occurring. (i.e., the review and approval process for purchase orders or requisitions to make sure they are appropriate before the purchase)
- **Detective controls** are designed to detect errors or irregularities that may have occurred. (i.e., bank reconciliation process, monitoring expenditures against budgeted amounts)

Examples of Standard Control Practices

- Develop policies and procedures to provide guidance and training, and to ensure consistent performance.
- Implement when possible appropriate segregation of duties to reduce the risk of error or inappropriate action. No single individual should be allowed to execute and process a complete transaction.
- Rotate staff – whenever possible cross-train and rotate staff in such a manner that each person does not continue to perform the same scope of work at a particular location for a long period of time. This is recommended to prevent or minimize collusion among the staff and third parties.
- Implement an authorization and approval process - all transactions should be approved by the appropriate level of management prior to processing.
- Maintain physical control - equipment, inventory, cash, and other assets should be properly secured and periodically counted and compared to the university's asset records.
- Enforce appropriate disciplinary actions for violations of university policies, procedures, and all applicable laws and regulations.

Who is responsible for Internal Controls?

While senior management is responsible for ensuring that internal controls are in place, all university employees share the responsibility for making sure that the control system is functioning properly. This ongoing responsibility includes adhering to established policies, procedures and controls, and participating in the strengthening of controls when weaknesses are identified and/or processes are changed.