

# FINANCIAL MANAGEMENT

## Policy 30210: Internal Controls

### 1. Purpose

Internal controls are plans and procedures designed to safeguard assets; verify the accuracy and reliability of accounting data and management information; promote operational effectiveness and efficiency; and, ensure adherence to approved policies as well as applicable laws and regulations.

### 2. Policy

- 2.1. The responsibility for the overall establishment and maintenance of sound internal controls within the VCCS resides with the Chancellor.
- 2.2. The responsibility for the establishment and maintenance of sound internal controls at the college level resides with the President.
  - 2.2.1. Department and work unit heads are responsible for conducting business activities and developing and maintaining policies and procedures consistent with good internal control and good business practices.

### 3. Procedures

While internal controls will vary among the departments and work units, the following principles shall be incorporated into the business practices, policies, and procedures of all departments and work units.

- 3.1. **Oversight** – employees with management responsibility must familiarize themselves with established policies and procedures and ensure that their department, work unit, and/or function is in compliance.
- 3.2. **Assignment of authority and responsibility** – each employee with management responsibility must ensure that the assignment of responsibility, the delegation of authority, and the establishment of related policies within the activity provide a basis for accountability and control.

The roles of each individual must be clearly defined and clearly communicated. Lines of supervision must be clear and linear with no person reporting to multiple supervisors. Performance must be measured against expectations with internal control being an important factor.
- 3.3. **Safeguarding assets** – each employee has the responsibility to protect the assets of the College and the Commonwealth of Virginia. Assets include items such as cash, office supplies, classroom and laboratory supplies, tools, buildings, land, equipment, furniture, library books, and amounts owed the College. All reasonable and cost effective physical protective measures shall be used to secure assets.
- 3.4. **Segregation of duties** – dividing responsibilities to assure a single person does not perform every aspect of a transaction or activity, especially if that transaction or activity involves the handling of assets. Segregating responsibilities can reduce errors and

prevent or detect inappropriate transactions as well as reduce the appearance of inappropriate activity. When segregation of duties is not possible or practical, increased management oversight is necessary to provide alternative internal controls.

- 3.5. Personal use of college resources** – when not prohibited by state or federal regulations, personal use of College resources, including computers, email, telephones, two-way radios, copy machines, supplies, and equipment, shall be discouraged.
- 3.6. Authorization and approval** – proposed transactions should bear approval via proper authorization by a delegated official who verifies that they have the approval authority; the transaction is consistent with policy, the transaction is accurate, the transaction is reasonable, and, if applicable, sufficient funds are available.
- 3.7. Review and reconciliation** – routine examination and reconciliation of transaction records to third-party records, to official College records, and/or to State records is required to verify accuracy of records, appropriateness of transactions, and compliance with policy.
- 3.8. Training and supervision** – training is to be provided to ensure employees are equipped to fulfill their job duties. Employees are to be supervised to ensure they are appropriately directed and held accountable. Employees are to be informed of the process for reporting suspected improprieties.
- 3.9. Documentation** – departments should document all unique business operations with internal policies and procedures. Furthermore, all unique and/or complex transactions should be documented to aid with reviews and reconciliations and to aid the understanding of others within the department about the transaction.

#### **4. Definitions**

#### **5. References**

Commonwealth Accounting Policies and Procedures Manual Topic No. 10305, 09/98  
Virginia Community College System Policy 4.6

#### **6. Point of Contact**

Created by Richard L (Rick) Brehm, Vice President for Administrative Services

#### **7. Approval and Revision Dates**

Approved by President's Council on August 6, 2001.