

2.1 Introduction

The District's internal controls include policies and procedures, which are designed to:

- Safeguard assets.
- Verify the accuracy and reliability of accounting data and other management data.
- Promote operational efficiency.
- Ensure adherence to prescribed policies and regulations.

The Business Administrative Services employees are responsible for conducting daily activities in a manner which complies with established internal controls.

The District Vice President of Administrative Services/CFO and his staff are responsible for the establishment and reviews of internal controls District wide and making recommendations for improvements.

Specific internal control procedures are described throughout this Manual for various areas and processes. This section contains a general overview of the District's approach to establishing effective internal control.

2.2 General Business Conduct and Disclosure

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. Each employee must apply his/her own sense of personal ethics, which should extend beyond compliance with the District's procedures, to govern behavior where no existing procedure provides a guideline. It is the employee's responsibility to apply common sense in business decisions where specific procedures do not provide all the answers and a solution cannot be obtained from a supervisor or Business Administrative Services.

In determining compliance with District procedure in specific situations, an employee needs to ask the following questions:

- Is my action legal?
- Is my action ethical?
- Does my action comply with District procedure?
- Does my action appear appropriate?
- Am I sure I would not be embarrassed or compromised if my action became known within the District or publicly?
- Am I sure my action meets my personal code of ethics and behavior?

An employee should be able to answer "yes" to all these questions before taking action.

2.3 Responsibility to Safeguard Assets

Assets include all property of the District. Examples of assets are buildings, equipment, inventory, accounts receivable, and cash (including checks). Extreme care must be exercised in safeguarding cash and items easily convertible to cash, such as electronics. Appropriate

physical and procedural safeguards must be in place to protect all assets. For example, cash must be secured in a locked facility and access limited to designated personnel.

Any observed weaknesses in internal control should be brought to the attention of the District Vice President of Administrative Services/CFO immediately.

2.4 Responsibility to Verify the Accuracy & Reliability of Financial Data

The District's Financial Accounting System allows an Organization Manager to have real time access to their organization's financial information. An Organization Manager may access data directly through Banner, specific Argos Reports or Banner Finance Self Service located in CougarWeb. In addition, a monthly report is emailed to Organization Managers which shows organization financial information sorted by account number. Each Organization Manager is responsible for verifying the accuracy of charges to their organization(s). Any errors should be relayed to Business Administrative Services.

The reliability of the monthly reports depends on the timely recording of all transactions. Check requests, travel expense reimbursement forms, invoices, receivers, billings of support service units, receipts, personnel/payroll transactions and any other financial transactions must be forwarded promptly by Organization Managers to Business Administrative Services for processing.

2.5 Responsibility to Reconcile Financial Data

Business Administrative Services Accountants are responsible for ensuring each assigned asset or liability account is reconciled promptly each month. Every attempt is made to assign account reconciliations to staff members so proper segregation of duties is maintained. It is the responsibility of each staff member to investigate and promptly resolve discrepancies. The Associate Vice President/Controller and the Associate Vice President/Financial Services will review and approve all account reconciliations.

2.6 Segregation of Duties

Segregation of duties is critical to effective internal control. Segregation of duties reduces the risk of errors and inappropriate actions. No one employee should:

- Initiate a transaction
- Approve a transaction
- Record a transaction
- Reconcile balances
- Handle assets
- Review reports

Business Administrative Services (Accounting, Accounts Payable, Bursar, Payroll) job responsibilities have been established to ensure that the approval function, the accounting/reconciling function and the asset custody function is separated among employees. If these functions cannot be separated then a supervisory review is required as a compensating control. Access to specific functions and screens in the Banner financial system has been granted based on job roles to provide segregation of duties. Access to Banner and specific functions and screens is reviewed annually by Business Information Services Manager. Specific examples of segregation of duties at the District include:

- An employee who initiates a requisition cannot approve the requisition
- An employee who enters a journal entry cannot approve journal entries
- An employee who enters Accounts Payable invoices cannot generate checks or establish new vendor accounts
- All bank accounts are reconciled by an accountant who does not initiate or approve transactions that involve cash

2.7 Exception to Control Procedures

The value of all internal controls is based upon their economic utility, practicability, and protection of assets. Where the cost of protection would far outweigh possible losses, or proposed controls would cause gross inefficiency, the District Vice President of Administrative Services/CFO may decide certain controls are not feasible and another alternative may be more advisable.

2.8 Internal Control Review

Responsibility does not end with the implementation of control procedures initially considered necessary. The system of internal control must be continually reviewed by administrators and supervisors at all levels to determine:

- Prescribed procedures are being interpreted properly and are being carried out.
- Changes in operating conditions have not made the procedures cumbersome, obsolete, or inadequate.
- Corrective measures are taken promptly when system breakdowns appear.

2.9 Internal Audit

The District has an Internal Audit Department which performs reviews of District Organizations and procedures. Internal Audit provides input on improving the efficiency and effectiveness of the District's current procedures and internal control.

2.10 External Audit

The District has an annual financial and financial aid audit conducted by an independent audit firm. The District Vice President of Administrative Services/CFO serves as the liaison with the external auditors and coordinates the external audit activities. The external auditor submits a management letter to the District Board of Trustees annually outlining any material weaknesses in internal control found. Copies of all audit reports are available on the District website.

The District also has audits by various Federal and State agencies that provide funding to the District.