

## **POLICY & PROCEDURES MEMORANDUM**

<b>TITLE:</b>	<b>INTERNAL CONTROL SYSTEM</b>
<b>EFFECTIVE DATE:</b>	February 13, 1996* <i>(*Procedural/Title Updates 1/12/16, 1/27/15; Title Updates 6/7/12)</i>
<b>CANCELLATION:</b>	none
<b>CATEGORY:</b>	Business (BA)

### **POLICY STATEMENT**

The policy of Delgado Community College is to continuously maintain and monitor the effectiveness of its internal control system.

Internal control systems change over time. Once-effective procedures can become less effective, or perhaps are no longer performed. This can be due to the arrival of new personnel, the varying effectiveness of training and supervision, time and resource constraints or additional pressures. Furthermore, circumstances for which the internal control system originally was designed also may change, causing it to be less able to warn of the risks brought by new conditions. Accordingly, the administration of the College must determine whether the internal control system continues to be relevant and able to address new risks.

### **PROCEDURES & SPECIFIC INFORMATION**

1. **Purpose**

To establish policy and procedures to ensure effectiveness within the College's internal control system.

2. **Scope and Applicability**

This policy and procedures memorandum applies to all sections, departments, divisions and campuses of Delgado Community College.

### 3. **Definition of Internal Control**

Internal Control is a process, affected by the College's governing board, administration, and other personnel, designed to provide 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

### 4. **Components of Internal Control**

Internal controls consist of five interrelated components. These are derived from the way management runs an organization and are integrated with the management process. The components are:

#### A. **Control Environment**

The core of any organization is its people—their individual attributes, including integrity, ethical values and competence—and the environment in which they operate. They are the engine that drives the entity and the foundation on which everything rests.

#### B. **Risk Assessment**

The organization must be aware of and deal with the risks it faces. It must set objectives, integrated with the revenue, instruction, academic support, library acquisitions, student services, instructional support, plant, financial, scholarship & Grants, mandatory transfers and other activities so that the organization is operating in concert. It also must establish mechanisms to identify, analyze and manage the related risks.

#### C. **Control Activities**

Control policies and procedures must be established and executed to help ensure that the actions identified by management as necessary to address risks to achievement of the entity's objectives are effectively carried out.

#### D. **Information and Communication**

Surrounding these activities are information and communication systems. These enable the entity's people to capture and exchange the information needed to conduct, manage and control its operations.

E. **Monitoring**

The entire process must be monitored, and modifications made as necessary. In this way, the system can react dynamically, changing as conditions warrant.

5. **Internal Control Objectives**

A. **General Internal Control Objectives**

The general internal control objectives of the College are to:

- (1) Achieve and maintain a positive reputation within the education and customer communities;
- (2) Provide reliable financial statements to the public;
- (3) Operate in compliance with laws and regulations; and
- (4) Promote operating efficiency of all College units.

B. **Specific Internal Control Objectives**

The College has specific internal control objectives which are listed in Attachment A, "Specific Internal Control Objectives."

6. **Procedures**

- A. The Chancellor, through the Vice Chancellor for Business and Administrative Affairs, will establish, or cause to be established, an internal audit function that reports to the Chancellor of the College.
- B. The Chancellor, through the Vice Chancellor for Business and Administrative Affairs, will review or cause to be reviewed periodically, all policy and procedures to ensure their continued applicability.
- C. The Chancellor, through the Vice Chancellor for Business and Administrative Affairs, will update or cause to be updated periodically, each department's procedures manuals.

**7. Audit Finding Response**

- A. Each operational department of the College is responsible for periodically assessing internal controls over processes and procedures to minimize risk of access to and/or misuse of college assets and student information and accounts.
- B. As a public entity, that receives both state and federal funds, the College is subject to state and federal audits by various entities. At the start of each audit, the Chancellor, through the Vice Chancellor for Business and Administrative Affairs, will appoint an audit coordinator. The audit coordinator serves as the liaison between the auditors and management, facilitates and coordinates auditors' requests for information, and communicates any audit issues to management for the duration of the audit.
- C. If a breakdown in internal controls is noted during the course of an audit, the College may be subject to audit findings. Upon notification of a finding, the audit coordinator will communicate all relevant information to the Vice Chancellor for Business and Administrative Affairs, and the management of the department responsible for the process upon which the finding is written.
- D. Management of the department will be responsible for responding to the audit finding by:
  - (1) Evaluating existing processes and internal controls to determine where the weakness exists that preceded the audit finding.
  - (2) Developing a corrective action plan that addresses the weakness in internal controls/processes and minimizes risk that similar or related future errors may occur in the future.
  - (3) Drafting a written, detailed response to the audit finding with a corrective action plan for remediating the weakness and submitting the draft to the audit coordinator in a timely manner.
  - (4) Ensuring the corrective action plan is put in place and operating as intended immediately or within the timeframe deemed appropriate by the Chancellor, through the Vice Chancellor for Business and Administrative Affairs.
- E. Upon receipt of the drafted response to the audit finding from department management, the audit coordinator will prepare a formal audit response for review by the Vice Chancellor for Business and Academic Affairs before submission to the Chancellor for approval and signature.

*Policy Reference:*

Louisiana Community and Technical College System [Policy #5.019 Misappropriation of Assets – Notification Policy](#)  
Delgado Policy and Procedures Memorandum, [Internal Auditing](#)

*Review Process:*

Ad Hoc Business Affairs Committee on Internal Control 1/30/96  
Executive Council 2/13/96  
Title Update Approval - Vice Chancellor for Business and Administrative Affairs 6/7/12  
Procedural/Title Update Approval - Vice Chancellor for Business and Administrative Affairs  
1/27/15  
Procedural/Title Update Approval - Vice Chancellor for Business and Administrative Affairs  
1/12/16

*Distribution:*

Distributed Electronically Via the College's Website

*Attachment:*

Attachment A- Internal Control System Specific Objectives

**INTERNAL CONTROL SYSTEM**  
**Specific Objectives**

**I. MANAGE LOGISTICS**

- A) Ensure that materials received and related information are processed promptly and made available to departments;
- B) Ensure purchase orders not filled on a timely basis are investigated;
- C) Completely and accurately document goods received and goods returned;

**II. SELECT VENDORS**

- A) Identify and purchase from vendors capable of meeting the college's needs;
- B) Purchase items only from legally qualified vendors and in conformity with applicable laws, regulations and contracts

**III. PURCHASE GOODS/MATERIALS**

- A) Order items that meet appropriate specifications;
- B) Pay appropriate prices;
- C) Order appropriate quantities at appropriate times;
- D) Update vendor information completely and accurately to reflect open purchase orders;
- E) Record authorized purchase orders completely and accurately;
- F) Prevent unauthorized use of purchase orders;

**IV. RECEIVE GOODS/MATERIALS**

- A) Accept only items that were properly ordered;
- B) Accept only materials that meet purchase order specifications;
- C) Ensure that all materials transferred from the receiving activity to other activities are recorded;
- D) Safeguard goods received;
- E) Ensure that vendor, inventory and purchase order information is accurately updated to reflect receipts;
- F) Return rejected items promptly;
- G) Completely and accurately document all transfers to and from storage;
- H) Maintain safe working conditions and storage of hazardous materials;

V. MANAGE HUMAN RESOURCE PROGRAMS

- A) Comply with applicable laws, regulations and institution policies;
- B) Maintain records that demonstrate compliance with applicable laws and regulations;
- C) Maintain confidentiality of human resource information;
- D) Maintain employee retention at an acceptable level;

VI. PLAN AND ACQUIRE PERSONNEL

- A) Acquire sufficient number of appropriately qualified personnel;

VII. TRAIN AND DEVELOP EMPLOYEES

- A) Ensure employees receive adequate training to discharge their responsibilities effectively;
- B) Ensure staff receive adequate feedback regarding their performance and career development;

VIII. MANAGE THE INSTITUTION

- A) Design and implement strategies that allow achievement of College-wide objectives;
- B) Maintain systems that allow timely communication of accurate internal and external information to relevant personnel;
- C) Ensure institution personnel are aware of acceptable actions and behavior;

IX. PROVIDE ADMINISTRATIVE SERVICES

- A) Provide quality services that are delivered on a timely basis at the least cost;

X. MANAGE INFORMATION TECHNOLOGY

- A) Use information technology (IT) to carry out the institution's strategic plans;
- B) Capture, process and maintain information completely and accurately and provide it to the appropriate personnel to enable them to carry out their responsibilities;
- C) Ensure information systems are available as needed;

XI. MANAGE RISKS

- A) Prevent and reduce potential for accidents;
- B) Ensure compliance with applicable Occupational Safety and Health Administration (OSHA) laws and regulations;
- C) Minimize insurance claims and other risk-related costs while maintaining adequate insurance coverage;

XII. MANAGE LEGAL AFFAIRS

- A) Ensure the entity complies with all laws and regulations;
- B) Ensure contracts and agreements are clear, fair to the institution and legally enforceable;
- C) Minimize litigation costs and settlements;

XIII. DEVELOP PLANS

- A) Develop long- and short-range plans that are in accordance with institution objectives;
- B) Develop plans in a format that allows administrators to manage the institution and measure progress on a timely basis;
- C) Develop plans using an efficient approach;
- D) Develop plans that are realistic;

XIV. PROCESS ACCOUNTS PAYABLE

- A) Accurately record invoices on a timely basis for all accepted purchases that have been authorized and only for such purchases;
- B) Identify available discounts;
- C) Accurately record returns and allowances for all authorized credits, and only for such credits;
- D) Ensure completeness and accuracy of accounts payable;
- E) Safeguard accounts payable records;

XV. PROCESS ACCOUNTS RECEIVABLE

- A) Ensure students registered for courses are accurately billed in the proper period;
- B) Accurately record invoices for all courses for which students have registered;
- C) Accurately record adjustments for courses dropped and added in accordance with institution policy;



*Process Accounts Receivable (cont'd)*

- D) Ensure continued completeness and accuracy of accounts receivable;
- E) Safeguard accounts receivable records;

## XVI. PROCESS FUNDS

- A) Accurately forecast cash balances to maximize short-term investment income and to avoid cash “shortfalls”;
- B) Optimize return on temporary cash investments;
- C) Accelerate cash collections;
- D) Record cash receipts on accounts receivable completely and accurately;
- E) Manage timing of cash disbursements;
- F) Minimize cash disbursements;
- G) Disburse cash only for authorized purchases;
- H) Remit disbursements to vendors and others, such as for debt service, and tax or other payments, in a timely and accurate manner;
- I) Record cash disbursements completely and accurately;
- J) Safeguard cash and the related accounting records;

## XVII. PROCESS FIXED ASSETS

- A) Completely and accurately record fixed asset transfers, acquisitions, dispositions and related depreciation;
- B) Safeguard fixed assets from loss through theft;

## XVIII. ANALYZE AND RECONCILE RESULTS/RECORDS

- A) Compare operating results with pre-established standards, such as budgets or prior-period results. Identify variances, trends or unusual changes and their causes;
- B) Reconcile books and records to ensure their internal consistency;

## XIX. PROCESS BENEFITS AND RETIREE INFORMATION

- A) Ensure all eligible individuals, and only such individuals, are included in benefit programs;
- B) Accurately calculate benefits due to each participant;
- C) Summarize and track benefit information;
- D) Comply with applicable laws and regulations;
- E) Generate and distribute benefits reports in an accurate and timely manner;

XX. PROCESS PAYROLL

- A) Pay employees in accordance with wage contracts and other established policies;
- B) Calculate and record payroll (including payroll deductions) accurately and completely for all services actually performed and approved, and only for such services;
- C) Restrict access to payroll data information to only those individuals who need such information to discharge duties;
- D) Provide payroll information to relevant personnel to satisfy administrators information needs;

XXI. PROCESS TAX COMPLIANCE

- A) Accurately process, prepare and file required tax documents on a timely basis;

XXII. PROCESS GRANTS

- A) Comply with applicable laws, regulations, grant agreements and institution policies;
- B) Maintain records that demonstrate compliance with applicable laws, regulations, and grant agreements;
- C) Design and implement strategies that allow achievement of grant objectives;
- D) Maintain systems that allow timely communication of accurate internal and external information to relevant institution personnel and granting agency personnel;
- E) Ensure that institution personnel administering grants are aware of acceptable actions and expenditures relating to the grants;

XXIII. PROVIDE FINANCIAL AND MANAGEMENT REPORTING

- A) Provide timely and accurate information needed by administrators and others to discharge their responsibility;
- B) Prepare external financial reports on a timely basis and in compliance with applicable laws, regulations, rules or contractual agreements; and
- C) Maintain appropriate confidentiality of financial information.

XXIV. RESTRICT ACCESS TO RECORDS

- A) Restrict user access to information systems on an as needed basis for job performance.
- B) Periodically review user access in comparison to job duties.
- C) Maintain confidential records and information under physical control with limited access.