THIS IS NOT A POLICY

DRAFT POLICY AND INTERIM GUIDELINES

INTERNAL CONTROLS POLICY

SCOPE

This policy applies to all employees at UC San Diego, including those who work at off-campus locations and medical center facilities.

POLICY SUMMARY

Internal controls are the processes employed to help ensure that the University's business is carried out in accordance with the Standards of Ethical Conduct, University policies and procedures, applicable laws and regulations, and sound business practices. They help to promote efficient operations, accurate financial reporting, protection of assets, and responsible fiscal management.

DEFINITIONS

A. **Financial stewardship** – the responsibility for managing University financial resources wisely, executing these duties with integrity and ethical conduct. These financial resources include time, money, people and property. When University employees manage public resources in an efficient, economical and ethical manner, the result will be better achievement of the University's overall missions of teaching, research and public service. Financial stewardship includes the responsibility for establishing and monitoring the system of internal control.

B. **Internal control** – Organizational plans and procedures implemented by management that provides reasonable assurance that organizational objectives will be achieved through effective and efficient operations, that University assets are safeguarded, that financial data is accurate and reliable, and that the University adheres to applicable laws, regulations and internal policies and procedures.

C. **UC San Diego** – UC San Diego campus, UC San Diego locations, and UC San Diego Health.

POLICY STATEMENT

The Regents of the University of California has adopted the principles of internal controls published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

UC San Diego is committed to the adoption of the principles of internal controls published through COSO's Internal Control – Integrated Framework.

In coordination with the University of California, Office of the President, UC San Diego develops campus-wide policies and procedures to ensure a system of internal control is maintained in accordance with policies established by the Board of Regents of the University of California and the University of California, Office of the President.

Internal control principles include:

1. Authorization and approval – a delegated individual with approval authority ensures a transaction is consistent with applicable policy, and is allowable, accurate, and reasonable before approving.

2. Review and reconciliation – departmental accounting records, transactions and documentation are compared with University financial system reports to verify their reasonableness, accuracy, and completeness.

3. Separation of duties – financial responsibilities are divided between different people so that a single person does not perform or has complete control over every aspect of a function or activity (common activities include authorizing, approving, certifying, disbursing, receiving, or reconciling).

4. Security and custody – university assets, including equipment, inventories, property, cash and cash equivalents, information systems, are safeguarded and protected from unauthorized access, risk of loss or misappropriation.

RESPONSIBILITIES

All members of the University community are responsible for adhering to internal controls.

Department administrators and managers are responsible for ensuring that internal controls are established, properly documented and maintained for activities within their jurisdiction and areas of responsibility.

Department administrators and managers are responsible for ensuring that members of their teams 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.

Department administrators and managers are responsible for periodic review of departmental procedures to ensure that the general principles of internal control are in place and are being followed. Management is responsible for strengthening internal controls when weaknesses are detected, including addressing errors, omissions, inconsistencies and exceptions.

Individuals entrusted with funds and resources are responsible for ensuring that adequate internal controls exist over the use and accountability of such funds.

University employees with delegated signature authority are responsible for the application of University policy and procedures to ensure the efficient and effective use of resources and to prevent and detect fraud in the areas in which they are involved. Those individuals must separate tasks among different people to reduce the risk of error and inappropriate or fraudulent actions. Proper separation of duties requires division of responsibility for recording, approving transactions, managing financial resources and for reviewing and reconciling data.

The office of Internal Controls and Compliance within General Accounting partners with Audit and Management Advisory Services (AMAS) to apply a risk-based approach during compliance assessments and through periodic reviews and monitoring of departments and their control activities, to ensure the system of internal controls at UC San Diego is designed properly and operating effectively.

Audit and Management Advisory Services is responsible for performing reviews and audits of internal controls across the University as requested by management or as determined by AMAS and for communicating any findings and recommendations to the appropriate levels of management.

Department administrators and managers are responsible for prompt and effective corrective action on internal control findings and for implementing remediation or action plans as recommended by internal and external auditors.

Failure to adhere to the University's policies and procedures may be considered unethical conduct and may be subject to appropriate corrective action as provided in the applicable personnel policies.

PROCEDURES

UC San Diego procedures are detailed in the Internal Controls page on Blink. Blink provides the University community with the information and resources needed to support this policy.

FORMS

None.

RELATED INFORMATION

A. Electronic Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Section 200.62: Internal control over compliance requirement for Federal awards
https://www.ecfr.gov/cgi-bin/text-idx?SID=15d5184c2810c3eef54cd7109663b443&node=pt2.1.200&rgn=div5#se2.1.200_162

B. California Government Code (GOV) Title 2, Division 3, Part 3, Chapter 5, The State Leadership Accountability Act [13400 - 13407]
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=3.&chapter=5.&part=3.&lawCode=GOV&title=2.

C. Regents Policy 1111: Policy on Statement of Ethical Values and Standards of Ethical Conduct
https://regents.universityofcalifornia.edu/governance/policies/1111.html

D. University of California – Policy BFB BUS-10: Principles of Accountability with Respect to Financial Transactions
https://policy.ucop.edu/doc/3620683/BFB-BUS-10

E. University of California Whistleblower Policy
https://policy.ucop.edu/doc/1100171/Whistleblower

F. Committee of Sponsoring Organizations (COSO) of the Treadway Commission: Internal Control – Integrated Framework, Executive Summary
https://www.coso.org/Documents/990025P-Executive-Summary-final-may20.pdf

G. UC San Diego Internal Controls Blink Webpage
https://blink.ucsd.edu/finance/accountability/controls/index.html

H. Delegations of Authority Blink Webpage
http://rmp.ucsd.edu/policy-records/delegations.html

FREQUENTLY ASKED QUESTIONS (FAQ'S)

None.

REVISION HISTORY