I. PURPOSE AND INTENT

The purpose of this Policy is to communicate the University of South Florida System’s (USF System or University) internal control objectives as set forth by the USF Board of Trustees. This Policy establishes standards in the design and implementation of the system of internal controls for the USF System.

These internal controls are put in place in order to reduce USF System’s exposure to financial, operational, strategic, compliance, and reputational risks. This system of internal controls is designed to promote effectiveness and efficiency in operations, minimize risk of asset loss, help ensure the reliability of financial and operational information, and support compliance with applicable laws, rules, and regulations. Internal controls provide reasonable assurance for mitigating risk; however, no system of control can provide absolute assurance.

USF System has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Control Framework which outlines the key components of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring activities. All five components must be in place and operating for the system of internal controls to be effective.

II. APPLICABILITY

This Policy applies to all USF System Employees, USF System Institutions, and direct service organizations in the USF System.

III. AUTHORITY AND RESPONSIBILITY

A. The USF Board of Trustees is responsible for setting the institutional expectations for internal controls and ensuring executive leadership is aware of these expectations.
B. University Leadership, as defined below, is responsible for the application of this Policy and for the design, development, implementation, and maintenance of an effective system of internal controls within their respective areas of responsibility. This includes prompt corrective action on all internal control findings and recommendations made by internal and external auditors.

C. University Leadership has the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within, and contribute to, an effective internal Control Environment. This includes, but is not limited to, providing access to appropriate training on topics relevant to their job responsibilities.

D. USF System Compliance & Ethics Program is responsible for assisting management, upon request or at the direction of the Board of Trustees or the President, in the design and implementation of internal controls, particularly for cross-jurisdictional compliance risks, e.g., regulatory risks affecting more than one University Leadership area or more than one USF System Institution.

E. USF System Audit is responsible for reviewing the adequacy of departmental and USF System Institution’s internal controls and for reporting any weaknesses to appropriate management and the Board of Trustees. All levels of internal control are subject to examination by internal and external auditors.

IV. DEFINITIONS OF TERMS

A. Business Function - A generic term broadly used in this Policy to refer collectively to programs, departments, colleges, units, museums, theatres, centers, institutes, etc. “Business”, in this instance, is not intended to be limited to traditional administrative functions, but rather to also refer to functions carried out in the academic and patient-centered areas where fiscal and budgetary responsibility rests.

B. Control Activities - Processes and procedures put in place by the USF System Institutions, Board of Trustees, University Leadership, management, and other personnel, designed to provide reasonable assurance of effectiveness and efficiency of operations; safeguarding of assets; reliability of financial and operational reporting; and compliance with USF System policies and procedures, applicable laws, and regulations. Controls can be classified into two types: Preventative Controls and Detective Controls. A system of effective internal controls helps identify and manage risks. Internal control systems vary depending upon the operating environment, including the size of the Business Function, its diversity of operations, and the degree of centralization of financial and administrative management.

C. Control Environment - Core to any university is its people, and the internal Control Environment tone is set by its leaders. Their individual attributes (integrity, ethical values, and competence) and the environment in which they operate set the tone for the organization and determine the sincerity with which the institution embraces the Control Environment. This is also known as “tone at the top”.
D. **Detective Controls** - Controls designed to find errors or other issues after they occur so that corrective action can be taken. Examples include taking physical inventories of assets to compare to recorded assets, reconciliations of bank and accounting records, variance analysis, and periodic audits and reviews.

E. **Information and Communication** - Pertinent information that is identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities. Internal control is about people, operations, communications, and the work environment. It is not about policies and forms, though it takes shape through the implementation of relevant policies, procedures, and practices.

F. **Monitoring** - Process that assesses the quality of internal controls over time. An effective system is able to react dynamically to changing conditions.

G. **Preventative Controls** - Internal controls designed to catch or prevent errors and irregularities before they occur. Examples of Preventative Controls include the provision of procedure manuals and training, separation of duties in accounting processes, proper approval of transactions, the requirement of adequate documentation for transactions, and physical security measures such as locking doors and otherwise controlling assets.

H. **Risk Assessment** - Process of identifying and analyzing risks related to the accomplishment of the USF System Institutions objectives. Risk types include financial, operational, strategic, compliance, and reputational.

I. **University Leadership** - USF System Employees who are given fiscal, budgetary, and operational responsibility over a Business Function, as defined below. This includes those with administrative appointments serving as department chairs, deans, vice presidents, and anyone who is in a position to direct how USF System Institution’s financial, capital, and human resources are utilized.

J. **USF System Employee** - A person in one of the following position types: faculty, administration, staff, or temporary. Temporary employees include any person in an Other Personnel Services (OPS) position type.

V. **PROCESS STEPS/SPECIFIC PROVISIONS**

A. University Leadership responsible for a Business Function is expected to:

1. Set an appropriate “tone at the top” that reflects the USF System Institution’s values and commitment to ethical conduct.
2. Establish and maintain an effective system of internal controls designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
   a) Effectiveness and efficiency of operations;
   b) Safeguarding of assets
   c) Reliability of financial and operational reporting; and
d) Compliance with USF System policies and procedures, applicable laws, and regulations.

3. Provide USF System Employees with policies and procedures that adequately communicate controls procedures in place, expectations for compliance, and consequences for non-compliance.

4. Take steps to ensure appropriate separation of duties so that one person’s work routinely serves as a check on another’s work and no one person has complete control over more than one key function or activity (e.g., separate authorizing, approving, certifying, disbursing, receiving, or reconciling activities).

5. Understand the system of internal controls in sufficient detail to support ongoing Monitoring of the systems’ effectiveness.

6. Provide for adequate supervision over those performing control functions to monitor that internal controls are operating as intended by pointing out errors, omissions, exceptions, and inconsistencies in procedures, and working with them to implement corrective and/or preventative measures.

7. Ensure departmental accounting and operational records and documents are examined and/or approved by USF System Employees who have sufficient understanding of the USF System Institution’s accounting, financial, and operational systems; and verify that recorded transactions actually took place and were made in accordance with USF System policies and procedures.

8. Take steps to strengthen internal controls when significant weaknesses are detected.

9. Perform or update the annual Risk Assessment to assess the effectiveness of the internal control system in mitigating risk to an acceptable level.

B. USF System Employees assigned financial and/or budgetary duties must:

1. Understand their own roles in the internal control system, how individual activities relate to the work of others, and have a means of communicating significant information to USF System Institution’s Leadership. This includes disclosing any actual or potential conflicts of interest, which may result from their assigned financial role and the assigned financial role of a “related person”, as defined by USF System Policy 0-027, who is also a USF System Employee.

2. Certain USF System Employee types are required to annually review and confirm their internal control responsibilities as part of their annual Florida Code of Ethics (FCOE) disclosure in the eDisclose system. This annual FCOE disclosure is required under USF System Policy 0-027 for the following USF System Employee position types:

   a. All faculty members;
   b. All administration employees;
   c. All staff employees issued a Procurement Card (PCard) or FAST role; and
   d. All temporary employees issued a PCard or FAST role.
C. USF System Audit, external auditors, and/or representatives from the USF
Controller’s Office have the authority to review and measure the effectiveness of the
controls established within the framework of this Policy as they relate to the USF
System Institution’s accounting, financial, and operating systems. In addition, they
have the authority to make recommendations for improvements in internal controls.
Upon issuance of an internal audit report, management is responsible for responding
to findings and for implementing appropriate changes.

*Current Responsible Office: USF System Audit

*Refer to the appropriate Responsible Office website for a current name of the Vice President or
other Responsible Officer.

History: TBD