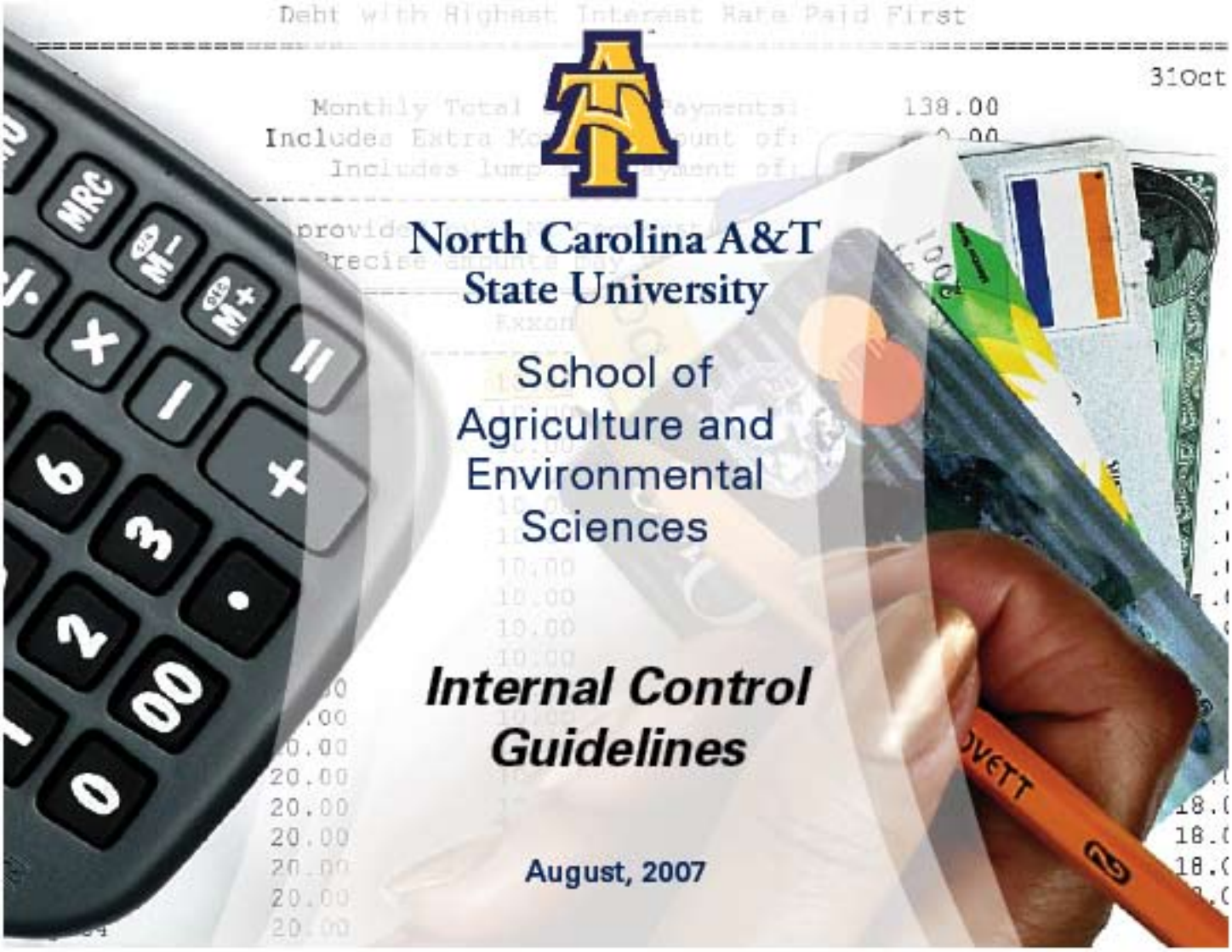

North Carolina A&T State University

School of Agriculture and Environmental Sciences

Internal Control Guidelines

August, 2007

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Foreword

North Carolina Agricultural and Technical State University (N.C. A&T) operates under the authority of the University of North Carolina system and follows the policies and procedures of the system. As a constituent institution of a state entity, N.C. A&T has a mandate to promote and practice good internal control, and to be readily accountable for its activities.

This Internal Control policy is designed for The School of Agriculture and Environmental Sciences (SAES) and is compliant with all federal, state, UNC system and university polices and procedures. In those places where questions or conflicts exist, we adhere to the policy of the higher authority.

This document is evolving but forms the framework for how all members of the SAES will conduct themselves. These policies and procedures are the guidelines for the work we accomplish and the expectation is that they will be adhered to and closely monitored. Training programs and modules are being developed to assure that all SAES faculty and staff are aware of and competent in all sections of this internal control policy. While training is being developed, faculty and staff are still expected to adhere to the outlined polices and procedures. All questions and concerns should be forwarded to the Dean's office.

What are internal controls?

Internal control consists of five interrelated components. These are derived from the way management runs an operation or function, and are integrated with the management process. The internal controls components are:

Control Environment — The control environment sets the tone of an organization, influencing the control consciousness of its people. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the University.

Risk Assessment — Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed.

Control Activities — Control activities are the policies and procedures that help ensure management directives are carried out. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

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Information and Communication — Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information that make it possible to run and control the organization. Effective communication also must occur in a broader sense, flowing down, across and up the organization.

Monitoring — Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. Internal control deficiencies should be reported upstream, with serious matters reported to top management.

The internal control definition — with its underlying fundamental concepts of process, affected by people, providing reasonable assurance — together with the categorization of objectives and the components and criteria for effectiveness, and the associated discussions, constitute this internal control framework. This document is designed using these interrelated components as an organizational framework.

What can my department do?

Control activities include, but are not limited to, the following:

- Implement segregation of duties where duties are divided, or segregated, among different people to reduce risk of error or inappropriate actions. No one person has control over all aspects of any financial transaction.
- Make sure a person delegated approval authority authorizes transactions that are consistent with policy and funds are available.
- Ensure records are routinely reviewed and reconciled by someone other than the preparer or transactor, to determine that transactions have been properly processed.
- Make certain that equipment, inventories, cash and other property are secured physically, counted periodically, and compared with item descriptions shown on control records.
- Provide employees with appropriate training and guidance to ensure they have the knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.
- Make sure University and departmental level policies and operating procedures are formalized and communicated to employees. Documenting policies and procedures and making them accessible to employees helps provide day-to-day guidance to staff and will promote continuity of activities in the event of prolonged employee absences or turnover.

Remember, everyone in the department has responsibility for internal control.

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Federal, State, UNC System Standards

As a reference, this document includes information on all federal, state and UNC internal control policies. Each jurisdictional section includes a short synopsis and a link that leads to the formal document.

United States General Accounting Office Internal Control Policies (synopsis)

1. Internal control is an integral component of an organization's management, providing reasonable assurance that the following objectives are achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

2. It is a continuous built-in component of operations effected by people that provides reasonable assurance, not absolute assurance.

3. The five standards for internal control are:
   a. controlled environment
   b. risk assessment
   c. control activities
   d. information and communication
   e. monitoring

4. Management and employees must establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

5. Internal control must provide for an assessment of the risks the agency faces from both external and internal sources.

6. Internal control activities help ensure that management's directives are carried out. The control activities must be effective and efficient in accomplishing the agency's control objectives.

7. Examples of Control Activities
   a. Top level reviews of actual performance
   b. Reviews by management at the functional or activity level
   c. Management of human capital
   d. Control over information processing
   e. Physical control over vulnerable assets
   f. Establishment and review of performance measures and indicators
   g. Segregation of duties
   h. Proper execution of transactions and events

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i. Access restrictions to and accountability for resources and records
j. Appropriate documentation of transactions and internal control

8. Information must be recorded and communicated to management and others within the entity who need it, and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

Web site for GAO Internal Control Standards: http://www.gao.gov/special.pubs/ai00021p.pdf

State of North Carolina's Internal Control Guidelines (synopsis)

Department of State Treasurer Policies Manual, Internal Control Policy (Section 80, Page 2)

1. Internal control means a process, effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
   a. reliability of financial reporting
   b. effectiveness and efficiency of operations
   c. compliance with applicable laws and regulations. Internal control must be in force in all units of government.

2. Internal control consists of five interrelated components:
   a. control environment
   b. risk assessment
   c. control activities
   d. information and communication
   e. and monitoring

3. The federal Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," defines internal control pertaining to the compliance requirements for federal programs as a process designed to provide assurance that transactions are properly recorded and accounted for, transactions are executed in compliance with laws and regulations, and assets are safeguarded against loss and unauthorized use.

4. For units receiving federal or state funds, management is responsible for establishing effective management control. The lack of administrative continuity in government units because of the continuing changes in elected bodies and in administrative organizations increases the need for effective management control.

5. Internal control in small units of government presents a problem in that there are not enough financial management staff members to adequately segregate duties. Compensatory measures, usually involving the board, must be implemented to keep the system of internal control functioning properly.

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6. Internal control, no matter how well designed, has its limitations. These include human judgment in decision-making, collusion, and costs. In most cases, the cost of an entity's internal control must not exceed the expected benefits. However, adequate control is necessary, regardless of cost, to ensure compliance with applicable laws and regulations.

7. There are specific procedures that must be followed to maintain adequate internal control over certain areas of operation within a unit of local government. Most of these revolve around adequate segregation of duties among the staff while performing day-to-day tasks.

Shortcut to the State's Internal Control website: http://www.ncosc.net/

The University of North Carolina System Internal Control Guidelines (synopsis)

N.C. A&T operates under the authority of the University of North Carolina system and follows the policies and procedures of the system. The link below leads to the manuals for accounting, purchasing, and contracts and grants. While the SAES faculty and staff must be in compliance by following campus guidelines, this link is provided for those who wish to have additional information.

The system also provides guidelines for the faculty that cover tenure, conduct and other concerns that often affect faculty. The ethical behavior of faculty often spills over to the fiscal attitudes and must be covered. This link is provided for faculty review as needed.

Finance Manuals: http://www.northcarolina.edu/content.php/finance/services/services.htm
Code: http://www.northcarolina.edu/content.php/legal/policymanual/contents.htm

North Carolina A&T State University Internal Control Guidelines (synopsis)

The SAES operates under the direction of the University and follows all the policies and procedures of the University and as required by federal regulations for the contracts, grants, cooperative agreements, and appropriated funds it receives. The Division of Research and Economic Development (DORED) and the Division of Business and Finance (DOBF) have policies and procedures in place to ensure that all campus units are in compliance with federal, state, University of North Carolina, and campus rules and regulations. These guidelines are found on their websites, which can be reached using the links listed below. The most important units on the website include purchasing, contracts and grants, human resources, property management and budget. Training for SAES faculty and staff will include review of all departments in the DORED and DOBF.

Links: Business and Finance: http://www.businessfinance.ncat.edu/
Division of Research: http://www.ncat.edu/~divofres/

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SAES Internal Control Guidelines

Internal controls in the SAES are designed to provide reasonable assurance regarding the achievement of the goals and objectives pertaining to effectiveness and efficiency of operations, reliability of financial capacity, and compliance with applicable laws, regulations, policies and procedures of N.C. A&T, the University of North Carolina system and of the State of North Carolina in general.

Principles of SAES Financial Management

- Maintain accounting records in accordance with Generally Accepted Accounting Principles (G.A.A.P.), which provide full disclosure of compliance with stewardship responsibilities of the School.

- Maintain an internal control environment that enhances sound business practices and clearly defines roles, responsibilities and accountability.

- Ensure compliance with applicable laws, regulations and donor or sponsor requirements or restrictions, and that documentation standards provide assurances of such compliance.

- Provide accurate and relevant managerial financial reports. Standardized and cost center specific reports will be available as management tools for employees with delegated budgetary responsibilities. Higher level reports will be provided to those employees with broader level fiscal responsibilities.

- Utilize appropriate budgetary control applicable to funding sources (e.g. state appropriations, auxiliary operations, sponsored research projects) to monitor variances and provide explanations of deviations.

- Maintain appropriate levels of financial transaction reviews and approvals by SAES personnel responsible for budgetary entities.

- Involve both internal and external parties to provide periodic independent oversight of SAES financial activities. Such parties shall include accounting professionals within the School, internal and external auditors, and governing bodies as appropriate.

- Ensure all employees are aware of their responsibility to report suspected fraud or other dishonest acts and deviations from the principles of financial management to their supervisor, appropriate administrator or the University's Office of Audit and Compliance Review.

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Critical Components of Internal Control

Internal control in the SAES consists of five interrelated components:

1. control environment,
2. risk assessment
3. control activities
4. information and communication
5. and implementation, training and monitoring

1. Control Environment

The control environment sets the tone for the SAES, influencing the control consciousness of its administrators, faculty, staff and students. Control environment factors for SAES include the integrity, ethical values and competence of the individuals in the School; administrators' philosophy and operating style; the way administrators assign authority and responsibility, and organize and develop their staffs; and the attention and direction provided by the School.

As such, SAES faculty and staff are expected to be conscious of the control environment and follow and adhere to those policies and procedures.

2. Risk Assessment

This component deals with the identification and analysis of relevant risks to achieving objectives, forming a basis for determining how risks must be managed. It helps identify where an organization is most vulnerable, and addresses this with appropriate policies, procedures and additional control mechanisms when they are needed.

As such, SAES faculty and staff are expected to be conscious of the control environment and follow and adhere to those policies and procedures.

3. Control Activities

Control activities are policies and procedures that help ensure that University and SAES policies, procedures and other directives are carried out. They include a range of activities as diverse as procurement/purchasing authorization, payroll, project management; equipment/inventory authorization; cash receipts; accounts receivable; and petty cash.

Procurement and Purchasing Authorizations

Authorization

- Signature stamps are banned.
- All authorizations for disbursement of funds must have required signatures — faculty member, principal investigator, department chairperson and dean.
- Procurement card purchases must have prior approval from the individual with fiscal responsibilities before purchases are made.
- Procurement card records must have appropriate management review (monthly).

- If signatures are authorized, a current signature card must be on file in the office of the dean or administrative head.
- A list of employees who have procurement cards must be on file in the Dean's office.
- Procurement cards must be kept in a safe location.

Segregation of Duties

- The fiscal area is assigned the responsibility of approving purchase requisitions and procurement card settlements prior to submission to the appropriate office.
- Someone other than the person placing the order for each department is responsible for receiving ordered supplies, materials, equipment, etc., and entering them as received in the Banner system.
- The fiscal area is responsible for reviewing and reconciling the Banner reports.

Safeguarding

- Receipt of goods and services must be verified prior to invoice approval.
- Shipment of items must be to Central Receiving, ordering department, or a University unit.

Reconciliation and Review

- Verification must be made that the fiscal office records agree with Banner.
- Items over 90 days old and not paid for must be investigated.
- Items not showing on the fiscal office records must be investigated to ensure they are being charged to the appropriate account and why they were not processed through the fiscal office.

Payroll

Authorization

- Signature stamps are banned.
- Forms must be submitted to the Dean's Office at least one month before the employee is to receive payment.
- Employees are not authorized to work until the appropriate area has approved their payroll authorization. (Office of State Personnel for EPA, and Human Resources for SPA.)
- Only principal investigators (research), departmental chairpersons, associate deans (Extension or Research) and the dean must approve forms.
- Employees must not approve actions affecting their own pay.

Segregation of Duties

- Different employees must be responsible for preparing employment documents and payroll forms.

Safeguarding

- Payroll records must be filed in a secure location with access limited to authorized personnel.
- Payroll check stubs must be kept in a secure area pending distribution.

Reconciliation and Review

- Payroll expense reports must be reconciled to the fiscal records for the appropriate area on a regular basis.
- Any inconsistencies must be corrected and resubmitted in a timely manner.

Project Management

Project management is the process of organizing and managing resources in a way to deliver all requirements to complete a project in a timely and cost efficient manner, and to provide for completion of the scope of work. Project management begins at the inception and continues until the project is completed. A well-planned project will help ensure that projects are completed in a responsible and cost-effective manner.

The principal investigator (PI):

- is responsible for seeing that the entire proposal meets requirements outlined in the request for proposal, or other application instructions
- prepares the technical proposal and/or collaborates with others in its preparation
- identifies the resources needed: financial, human, and physical
- uses procedures that are consistent with sound research design and meet all compliance issues
- is responsible for all internal processing forms required by the DORED. If the resources needed as identified on these forms are not available, the PI discusses these resource needs with the department chairperson, the appropriate associate dean, and the dean, and obtains their approval prior to submission to the DORED

Authorization

The principal investigator:

- Directs purchases for consistency with the project budget and the approved funding document.
- Interacts with Contract and Grants and Purchasing staff in regard to purchases to be made for the project.
- Submits expenditures to the department chairperson for review to ensure that expenditures are within the project guidelines, and initiates purchases.
- Determines, at the time expenditures are requested, that the costs are allowable and reasonable, approves them, and provides scientific justification for the transaction when necessary. In both budgeting and charging expenses, the principal investigator adheres to cost accounting standards, such as consistency in allocating costs.

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- Initiates the processes of documenting cost sharing and/or matching, and for ensuring that cost sharing obligations are met, allowable and verifiable, including those by third party collaborators.
- Initiates requests for budget changes as needed and with the sponsor approval.
- Initiates budget changes; and follows labor changes as per OMB Circular A-21.
- Identifies and proposes a resolution of any account discrepancies.
- Approves payments of sub-agreement invoices and reviews invoices for appropriateness within the scope of work.

Program Income

Program income funds are those earned while a sponsored project is active. If a product or service is developed during the course of a sponsored project and the development of that product or service was funded by a sponsoring agency, then the net income received is considered program income.

The principal investigator:
- Understands the definition of program income.
- Identifies all program income.
- Initiates the processes and proposes the allocation of program income.
- Monitors receipt of program income.

Conduct of Research

The Principal Investigator:
- Is responsible for all actions required to manage and complete the scientific and programmatic aspects of the sponsored project.
- Initiates programmatic changes to the project and seeks approval from the sponsor when required.
- Initiates the hiring or assignment process and approves the selection or appointment of individuals to the project.
- Ensures the integrity and safeguarding of notebooks, electronic records and scientific data.
- Ensures the completion, accuracy and timeliness of interim programmatic (technical) reports.
- Initiates and requests sub-agreements prepared by DORED.
- Ensures the quality, timeliness and programmatic (technical) performance of sub-agreements.

Segregation of Duties

- The administrative staff will assist in receiving and storing supplies, equipment and other purchases, as appropriate.
- Discrepancies between the purchase order, the invoice and actual deliveries must be brought to the attention of the PI. The PI must take steps to immediately resolve discrepancies.
- When notified by Purchasing of late or delinquent invoices, the administrative staff will notify the PI and assist in resolving the issue.

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- The administrative staff must possess a working knowledge of allowable expenses and help prevent inappropriate and untimely charges.
- The department chairpersons and the deans (or their designees) have oversight of all expenditures in their areas. A minimum of three meetings (coinciding with the University semester calendar) must be held between department chairpersons and PI to assist with monitoring projects.

Safeguarding

- PIs and the administrative staff will familiarize themselves with University rules and regulations covering purchasing, travel, equipment and other policies and procedures.
- The PI is responsible for meeting all requirements for human subjects, animals, recombinant DNA, infectious agents, narcotics or biological toxins, human blood or body fluids, hazardous materials, and completion of Intellectual Property Agreement (IPA) prior to conducting sponsored research.

Reconciliation and Review

- The PI retains primary responsibility for financial accountability.
- The PI must review all expenditures monthly to ensure accuracy in the ledgers.
- All PIs must attend Banner training and learn the Banner system.
- Monthly monitoring will ensure that discrepancies can be identified, reported and resolved without delay.

Grant Management

All departments within the SAES are responsible for assuring that all individuals involved in sponsored programs and activities follow federal, state and University policies in complying with proposal submissions, awards, performance and closeouts. The SAES policy complies with requirements of the Office of Management Budget (OMB Circular A-21), Office of Budget and Management (OMB Circular A-110) and Office of Budget and Management (Circular A-133), General Terms and Conditions of the Sponsoring Agency, Office of the President Sponsored Programs Policies and Procedures, A&T's Contracts and Grants Polices and Procedure Manual, N.C. A&T's Division of Research Policies and Procedure Manual, N.C. A&T's Research Compliance Committee's Policies and Procedures Manual, N.C. A&T's Technology Transfer Policies and Procedures Manual, N.C. A&T's Conflict of Interest and the School's Internal Control Guidelines listed below:

- Guidelines: Advance Payments from Industrial Partners
- Guidelines: Advance Project Numbers
- Guidelines: Animal Care
- Guidelines: Award — Start-up Package

- Guidelines: Briefing Meetings for New Projects (Start Up)
- Guidelines: Budget Revisions
- Guidelines: Budget Review for Research Proposals
- Guidelines: Closeout
- Guidelines: Conflict of Interest - Organizational
- Guidelines: Contract Types
- Guidelines: Cost Centers
- Guidelines: Cost Sharing
- Guidelines: Disclosure of Inventions
- Guidelines: Disclosure of Software
- Guidelines: Division of Research Internal Award Procedures
- Guidelines: Employee Termination Clearance
- Guidelines: Equipment Leases/Purchases
- Guidelines: Hiring Consultants
- Guidelines: Human Guidelines
- Guidelines: Industrial Contracting Issues
- Guidelines: Intellectual Property
- Guidelines: International Traffic in Arms Regulations (ITAR)
- Guidelines: Marking Proprietary Information; Marking Reports and Software
- Guidelines: Modification (Incremental Funding) of an Award
- Guidelines: Overhead Determination and Negotiation
- Guidelines: Property Management
- Guidelines: Proposal Identification Numbers
- Guidelines: Project Files
- Guidelines: Recombinant DNA & Infectious Agents
- Guidelines: Records Retention
- Guidelines: Report of Invention to the Federal Government
- Guidelines: Request for a Budget Revision
- Guidelines: Request to Change Principal Investigator (P.I.)
- Guidelines: Request for Foreign Travel
- Guidelines: Request to Purchase Additional Equipment
- Guidelines: Request for Residual Account
- Guidelines: Request to Submit Funding for a Subcontractor
- Guidelines: Request to Transfer an Award/Project
- Guidelines: Requesting Contingency Funds
- Guidelines: Requesting a No-Cost-Extension on an Award
- Guidelines: Restrictive Disclosure Agreements
- Guidelines: Screening Industrial Sponsors for Business Risk
- Guidelines: Teaming Agreements
- Guidelines: Unofficial Proposals
- Guidelines: Waiver of Overhead

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Procedures

- All pre-award, post-award, performance and closeout procedures will be monitored by the designated responsible party to ensure adherence to all applicable federal, state and University procedures governing financial administration at all levels within the SAES.
- All procedures, including records retention, will be monitored by the designated responsible party to minimize the level of exposure and to ensure regulatory compliance with all applicable laws, governmental regulations and University policies related to research activities involving: human subjects, animal welfare, hazardous agents, environmental health and safety and radiation safety.
- The designated responsible party must fully understand the intent and the implication of the procedures in order to ensure that an effective monitoring process exists.
- The designated responsible party will be responsible for following all internal procedures for handling all transactions related to sponsored programs in a manner that is consistent with the guidelines included in the policy section.
- Transmission of all project proposals and acceptance of all awards from any sponsoring agency must have the signature of an authorized University representative.

Authorization

- The designated responsible party must maintain level of authorization for pre- and post-awards performance stages and closeout administration to ensure expenditures are consistent with all applicable University and sponsor policies and procedures.
- The designated responsible party must ensure all transactions for sponsored program activities are approved by the required administrative units based on applicable policies and procedures for approving sponsored programs activities, and applicable policies and procedures for delegating authority for approving sponsored programs activities.
- All signatures must be originals of the responsible parties of their designees.
- Cost-sharing requirements must be approved by both the dean and the appropriate department chairpersons, if cost-sharing is required by an agency. All signatures must be originals of the responsible party or the individual delegated responsibility by the responsible party.
- The PI must submit proposals to department chairperson.
- All competitive proposals are submitted through the associate dean for research on behalf of the dean prior to submitting the proposal to the DORED.

Segregation of Duties

- All designated responsible parties will follow the applicable polices and procedures as listed in detail in the policy section of these guidelines to ensure all expenditures are allowable, allocable and reasonable and represent the necessary costs to the sponsor's project.
- The principal investigator is trained to manage research grant cooperative agreements, training or public service project, contract, or other sponsored project.
- The principal investigator reports to his or her department chairperson all aspects of a spon-

sored programs portfolio as determined by the applicable policies and procedures.

- The department chairperson is the academic leader with programmatic, managerial and fiscal responsibilities for sponsored projects in a designated area.
- The department chairperson provides broad managerial oversight of research policies and processes. Oversight may be delegated to departmental administrative staff. In instances where there is insufficient departmental staff, oversight may be delegated to an administrative office.
- The dean requires designated responsible parties to review and validate release time to ensure appropriate allocation of time is permitted.
- The associate dean for research has been delegated responsibility for oversight of research activities in the SAES and to act on the dean's behalf in matters relating to research.
- All University requests to federal or state agencies, private foundations and corporations for sponsored programs activities must be coordinated with the Division of Research and Economic Development.
- Administrative staff will have a list of allowable and unallowable expenditures as described in OMB Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institution," to check transactions for compliance. The administrative staff will advise department chairpersons as to the legitimacy of requested transactions prior to approval.
- Administrative and research staff must have adequate knowledge of general and specific requirements applicable to the project.
- All designated responsible parties must ensure procedures are established to verify Time and Effort Reporting Forms have been documented in the appropriate manner.
- Designated responsible parties must report cost-sharing agreements to Contracts and Grants.
- Department chairpersons or designates will maintain a checklist of circumstances that require sponsor approval, to determine if any of those circumstances exist when a principal investigator is requesting approval. PIs are required to provide proof of such approval for any identified circumstances.
- Department chairpersons or their designates will: (a) maintain a list of projects that have the potential to generate program income; (b) photocopy checks and send originals to Contracts and Grants in a timely manner; and (c) understand how the sponsor wants program income treated.

Safeguarding

Individual duties are separated to ensure individuals' work routinely serves as a supplementary check on another person's work, and to:

- Ensure no one person has complete control over more than one key processing function or activity, such as authorizing, approving, certifying, disbursing, receiving or reconciling.
- Maintain coordination with DORED, Contracts and Grants and UNC Office of the President to ensure accuracy of current policies and procedures at all department and school levels.
- Provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.

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- Provide reasonable assurance that sub-recipient activities are monitored.
- Validate release time to ensure allocation of time is permitted.

To further safeguard grant management in the SAES:

- An Internal Processing Form (IPF) shall accompany all proposals through the review process. This form shall summarize pertinent data from the proposal and provide signature lines for reviewers.
- Multi-department and or multi-disciplinary proposals require review and approval of each campus' sponsored project administrator prior to submission.
- Budget review by all designated control points is required to complete a detailed review for allowable and unallowable costs, sub-recipient monitoring, applicable overhead rate, fringe rate, equipment requirements, space requirements and applicable federal regulations for compliance and assurance.
- Department chairpersons will not tolerate circumstances of misuse of funds and require monthly reconciliation of accounts.
- Designated responsible parties will check computations for accuracy.
- Grant agreements and budgets, OMB circulars and sponsor guides must be available to the SAES administrative staff.
- Designated responsible parties must establish procedures to identify mandatory cost sharing.
- Designated responsible parties must establish a spreadsheet to track cost share expenditures.
- Designated responsible parties must ensure arms-length valuation of costs for donated services and supplies from third parties.

Reconciliation and Review

- Designated responsible parties must establish tracking systems to monitor proposal process accuracy and post award project management.
- Sponsored programs are subject to agency audit, state audit, and University internal audits.
- Reasonable budgets must be submitted to the sponsoring agencies, reflective of the best estimate of total project costs, thus deterring bias towards miscoding expenditures.
- Budget-to-actual comparisons must be closely monitored.
- Each month, cost share expenditures must be highlighted in ledgers and filed
- A Time and Effort Reporting form is required for individuals working on sponsored program projects.
- All close-out documents must be prepared and submitted internally to Contracts and Grants, DORED, department chairpersons or designated responsible party, and to the sponsoring agency per requirements of sponsoring agency terms and conditions.

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Equipment Acquisition Authorizations and Inventories

Authorization

- Purchase orders for equipment must be approved by appropriate department chairperson or unit head.

Segregation of Duties

- Employees assigned to perform physical inventories to confirm that equipment listed on inventory records is actually on hand must be verified by individuals other than those responsible for maintaining custody of the items.
- Employees responsible for maintaining custody of inventory must not have access to accounting records.
- The appropriate authority not directly responsible for custody or disposal of equipment must approve property transfer requests.

Safeguarding

- The appropriate authority must ensure that all equipment is secured.
- Keys to inventory must be controlled.
- Written records must be maintained of relinquishments and assumptions or control with person's signature, and date and time of exchange.
- Departments must inventory, and record in a ledger, all classes of equipment, the location of equipment, and the person to whom it is assigned.
- Provisions must be made for obsolete or inactive inventory. Reports must be made as to disposition of items (i.e., surplus, federal excess property program, transfers).
- Obsolete, inactive or damaged items must be removed from inventory.
- Off-campus use of University equipment is allowed for University business purposes only. The appropriate authority must approve off-campus use of University equipment, and a written record must be maintained in the appropriate administrative office.

Recording and Depositing

- Equipment acquisitions must be inspected for condition prior to their inclusion in the inventory.
- Obsolete, inactive or damaged items must be removed from the inventory.

Reconciliation and Review

- Physical inventories of supplies must be made at least annually.
- A full review of inventory equipment must be performed at least annually.
- Reviews must be recorded in writing and signed or initialed by person performing the review.
- Lost or missing property must be reported to University Property Management Office within 24 hours of time of discovery [http://businessfinance.ncat.edu/busmgr/prop_tel/Propdisp.pdf]. If not located within one year, a police report must be completed and forwarded to University Property Management.

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- Stolen property and property subjected to arson, vandalism or other abuses must be reported to a department head within 24 hours of the time of discovery. The department head must notify Property Management and university police within 24 hours of receipt of a report of stolen or intentionally damaged property.
- If lost or stolen property was in the personal possession of an employee and the employee receives reimbursement for the lost or stolen property from an insurance claim, the employee must notify Property Management and deposit the reimbursement with the University treasurer.

Cash Receipts

Authorization

The dean, associate deans and department chairpersons must ensure that employees comply with procedures developed by the University. Authorization to collect, receive or handle any revenue for the SAES must be approved by the employee's immediate supervisor and the dean. Authorization to collect funds must also be approved by the University. Additionally:

- State fund revenues and cash receipts collected by N.C. A&T must be deposited to the credit of the State Treasurer. Such funds can be deposited no later than the next business date following the actual date of collection (within 24 hours).
- Supervisors must verify cash deposits, voided transactions and cash overhead shortages.
- It is management's responsibility to ensure that funds are maintained in a secure location, and that funds are deposited in a timely and appropriate manner. Additionally, if management has designated the actual collection process to another person under his or her supervision, management is still accountable for the appropriate oversight.
- Federal funds received for major federal assistance programs that are governed by the Cash Management Improvement Act of 1990 must be drawn in accordance with the current state/federal agreement.
- All federal fund draws must be timed so that the funds are on deposit with the State Treasurer no more than two business days prior to the disbursement.

Segregation of Duties

- Designated responsible parties must establish a chain of accountability immediately upon initial receipt of cash. Accountability must be maintained at all times. Transfer between two people must be jointly verified and documented.
- All employees receiving cash must turn the cash in to the appropriate budget officer for the unit.
- The budget officer must obtain and appropriately file a receipt of the cash deposited with the University Foundation and University Cashier's office.
- The budget officer for the respective unit must ensure that the cash is deposited in the correct account.

Safeguarding

- Cash must be kept in a safe or locked drawer when kept overnight by an SAES employee.
- Cash must be deposited within 24 hours of receipt.

Reconciliation and Review

- All receipt numbers must be accounted for.
- Accounting records must match deposit records.

Accounts Receivable

Authorization

- Invoices must be prepared for all charges and issued on a timely basis.

Recording and Depositing

- Supporting documentation must be available for all accounts receivable.

Reconciliation and Review

- Receivable reports must include listings of all amounts due, must be received at least monthly, and must be balanced to the related accounts.

Petty Cash

Authorization

- Petty cash funds must be authorized and established by the University Comptroller's Office.
- Funds must only be used for appropriate University business.

Segregation of Duties

- When possible, separate individuals must be responsible for maintaining and review and approval of replenishment of the fund.

Safeguarding

- Funds must be maintained in a secure location, accessible only by fund custodian.
- Petty cash vouchers must be required for all disbursements and must be signed by payee and approved by supervisor.

Recording and Depositing

- Petty cash funds must be replenished as necessary, but expenditures must be within the current fiscal year
- If an employee is seeking advancement of funds to purchase goods, he or she must obtain authorized Petty Cash Fund form that estimates cost. Once purchases are made, original receipts must be presented. Any remaining funds must be returned to petty cash fund.
- An original receipt documenting the expenditure must support all disbursements from the fund.

Reconciliation and Review

- A supervisory employee with signature authority and not responsible for maintaining the fund must review the documentation, verify that the total fund amount is accounted for and approve request for replenishment.
- All petty cash funds must be subject to a surprise cash audit from the University from time to time.
- Minimize use of petty cash by appropriate use procurement cards.

Recipients of Grants from SAES Departments, Units, Programs and Projects

Authorization

- Applications must be filed and approved in a timely manner.
- Each grant application must contain the stipulation that the recipient comply with the federal and state requirements set by the agency.

Safeguarding

- Any SAES department, unit, program, project or other entity providing funding to other entities must provide the best information available about the award and agency to recipient.
- Recipients must be advised of the requirement imposed on them by federal and state laws, regulations and the provisions of contract or grant agreements, as well as any supplemental requirements imposed by the SAES entity.
- Funding entities must monitor the activities of funding recipients as necessary to ensure that the awards are used for authorized purposes, in compliance with laws and regulations, and that performance goals are achieved.
- Monitoring procedures used by the SAES entity may include on-site visits, and reviews of documentation supporting requests for reimbursement.
- Funds must be disbursed to recipients only on the basis of approved, properly completed reports that are submitted on a timely basis.
- Sub recipients and other entities are individuals receiving federal funds meet eligibility requirements.

Reconciliation and Review

- Review financial and technical reports to evaluate them for completeness and for compliance with applicable laws and regulations.
- Review previously detected deficiencies and determine if corrective action was taken.

Student Organization Accounts

Student organizations are designed to provide professional development opportunities for SAES students. Many of these organizations raise money to fund their activities. Safeguarding these funds is important to the integrity of the organization. All financial business conducted by the student organization must be completed under the supervision and guidance of the faculty advisor following University policies and procedures.

Authorization

- Accounts will be authorized and established by the officials of the organization.
- Funds from the accounts must only be used for appropriate organization business.
- All expenditures must have the signatures of two organization officers - the treasurer's and president's.

Segregation of Duties

- All funds collected by a student organization must be immediately deposited into the account. The treasurer and one other person, not necessarily the president, must verify the amounts.
- All funding expenditures must have been approved by the student organization in the budget. If unexpected needs arise and a meeting of the full organization to discuss and approved the expenditure is not possible, the organization's board, composed of organization officers, may meet to approve the expenditures.

Safeguarding

- Accounts must be held at a federally insured bank, and accessible only by fund custodians or in an on-campus student account.

Reconciliation and Review

- A faculty advisor with signature authority and not responsible for maintaining the fund must review the documentation and verify that the total fund amount is accounted for.

Scholarships and Research Assistantships

Authorization

- A committee will be established to develop guidelines to award unrestricted scholarship funds.
- The associate dean and department chairpersons must award scholarships using the guidelines established by the Scholarship Committee.

Segregation of Duties

- Central depository for scholarship and research award recipients to enhance equity and better collaboration with university's financial aid office and scholarship office.

Safeguarding

- The committee will send its recommendation to the department chairperson or dean.
- The dean or chairperson will notify all award recipients in a timely manner.
- Awarding agency or unit must be copied the award letter.
- When possible, research assistants should be assigned to projects in their areas of academic concentration.
- When research assistantships are awarded for a specific project, the principal investigator for the project must be copied.

Reconciliation and Review

- A faculty member not serving on the committee must review the documentation and verify that the awards are made in accordance with the guidelines set forth by the entity providing the funds

4. Information and Communication

Information and communication systems pertain to how the SAES identifies, captures and communicates pertinent information in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information, which make it possible to run and control the School. Effective communication must occur in a broader sense, flowing down, across and up through the School.

The primary control for information and communication are:

- Understanding rights and obligations
- Policies and procedures
- Validity of information
- Properly supported data

The information and communication system must also provide administrators with reports containing operational, financial, and compliance information for monitoring progress toward accomplishing established goals and objectives, and to allow administrators to make appropriate decisions. Information and communication systems include:

- The University's written policies and procedures
- The unit's goals and objectives
- The unit's documented policies and procedures
- Organization charts
- Position descriptions
- Performance evaluations
- Training programs
- Periodic reports measuring progress toward the accomplishment of goals and objectives

An essential part of the internal control system is an effective information and communication system that ensures that employees know what they are supposed to accomplish and how they are to do it.

Documenting Policies and Procedures

- SAES policies and operating procedures must be formalized and communicated to employees.
- SAES policies must be made accessible to employees to help provide day-to-day guidance to staff, and to promote continuity of activities in the event of prolonged employee absences or turnover.

5. Implementation, Training and Monitoring

SAES internal control systems need to be monitored — a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. Internal control deficiencies must be reported upstream, with serious matters reported to the dean. All faculty, staff and student organization leaders will undergo training in internal control procedures. The training will be designed so it is appropriate for each employee's job duties and responsibilities. It is aimed at developing an attitude to do the "right" thing and to stipulate consequences for noncompliance.

In addition to, and consistent with, the internal control training, all faculty, staff and student organization leaders shall undergo ethics training that will address issues relating to the values, character and public service ethics of the University.

Authorization

- The training sessions will be developed, organized and monitored by the dean's office and will involve all SAES faculty, staff and student leaders.

Segregation of Duties

- Everyone in the SAES has responsibility for internal control.
- Presenters will be invited from the State of North Carolina, the University of North Carolina System, N.C. A&T's Office of the Internal Auditing and other units on campus as deemed appropriate, including but not limited to, Human Resources, DOBF, the DORED and the certified ethics trainers.
- All employees and student leaders must be provided with appropriate training and guidance to ensure they have the knowledge necessary to carry out their job duties, will be provided with an appropriate level of direction and supervision, and will be made aware of the proper channels for reporting suspected improprieties.
- Different modes of instructional delivery will be given to maximize participation.
- Unit heads will be asked to assess compliance by completing the questionnaire included in the appendices.

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Reconciliation and Review

- The dean has the primary responsibility for implementing, training and monitoring the SAES internal control system. All SAES faculty, staff and student leaders must participate in the training sessions; certificates of participation will be awarded. In addition, employees will also be appropriately recognized for suggestions leading to improving internal control procedures in SAES.
- The dean must review and monitor the implementation procedures and training program biannually to ensure that discrepancies can be identified, reported and resolved without delay.

Internal Control Questionnaire

Control Environment

1. Does the SAES periodically review policies and procedures to ensure that proper controls have been instituted? Yes☐ No☐

2. Is there a system in place to monitor compliance with policies and procedures? Yes☐ No☐

3. Is there a system in place to report to SAES administration instances of noncompliance? Yes☐ No☐

4. When instances of noncompliance are reported, does the SAES or department chairperson take appropriate follow-up action and ensure compliance? Yes☐ No☐

5. Does SAES, the departments, or other authorized person have complete access to financial records? Yes☐ No☐

6. Are control decisions made collectively and not by a single dominant individual? Yes☐ No☐

7. Do SAES and the department receive appropriate information from Business and Finance and the Division of Research & Economic Development to make informed and timely decisions? Yes☐ No☐

8. Does SAES receive adequate information about the internal risk assessment process? Yes☐ No☐

9. Does SAES handle noncompliance findings? Yes☐ No☐

10. Does the internal auditor periodically assess the adequacy of SAES's internal control systems? Yes☐ No☐

11. Are policies regarding the importance of internal control and appropriate conduct communicated to all employees? Yes☐ No☐

12. Do codes of conduct or ethics policies exist? Yes☐ No☐

13. Do audits or other control systems exist to periodically test for compliance with codes of conduct or ethics policies? Yes☐ No☐

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Risk Assessment Questionnaire

1. Do the SAES and the department appropriately evaluate risks when planning for new projects or activities? Yes☐ No☐

2. Do the SAES and the Department discuss and appropriately consider control issues when planning for new projects or activities? Yes☐ No☐

3. Are fiscal personnel or other internal control experts involved in control discussions when developing new projects or activities? Yes☐ No☐

4. Do SAES and the departments involve fiscal personnel in the risk assessment process? Yes☐ No☐

5. Are technology issues considered and appropriately addressed? Yes☐ No☐

6. Are there sufficient staff members who are competent and knowledgeable to manage current and proposed projects or activities, and have they been provided with adequate resources? Yes☐ No☐

Control Activities Questionnaire

1. Do policies and procedures exist to ensure critical decisions are made with appropriate approval? Yes☐ No☐

2. Do processes exist to ensure independent verification of an appropriate sample of transactions to ensure integrity? Yes☐ No☐

3. Do processes exist to ensure ongoing and independent reconciliation account balances? Yes☐ No☐

4. Are key risk-taking activities appropriately segregated from reconciliation activities? Yes☐ No☐

5. Do processes exist to ensure that policy overrides are minimal and exceptions are reported to management? Yes☐ No☐

6. Is separation of duties emphasized in the organizational structure? Yes☐ No☐

7. Are systems in place to ensure that personnel abide by separations of duty? Yes☐ No☐

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Accounting, Information, and Communication Systems Questionnaire

1. Are the reports generated for operational, financial, managerial, and compliance-related activities sufficient to properly manage and control the institution? Yes☐ No☐

2. Do accounting, information, and communication systems ensure that risk-taking activities are within policy guidelines? Yes☐ No☐

3. Do all personnel understand their roles in the control system? Yes☐ No☐

4. Do all personnel understand how their activities relate to others? Yes☐ No☐

5. Do all personnel understand their accountability for the activities they conduct? Yes☐ No☐

Self-Assessment or Monitoring Questionnaire

1. Does SAES review the actions taken to deal with material control weaknesses and verify that those actions are objective and adequate? Yes☐ No☐

2. Do fiscal reports contain sufficient detail? Yes☐ No☐

3. Are fiscal reports timely enough to allow for resolution and appropriate action? Yes☐ No☐

4. Do SAES and the departments approve the overall scope of control activities? Yes☐ No☐

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