

<b>University Policy Number:</b> UP-01-02		<b>Effective/Revision Date:</b> December 3, 2019	
<b>Subject</b>	Internal Controls and Enterprise Risk Management		
<b>Authority</b>	Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes; BOT 2019-01		
<b>Applicability</b>	This policy applies to all University units and employees.		
<b>Related</b>			

**I. POLICY PURPOSE AND INTENT**

A. This policy is intended to improve mission delivery, reduce costs, and focus corrective actions toward key risks through the modernization of existing efforts by requiring the implementation an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process, and the internal controls processes.

**II. STATEMENT OF POLICY**

A. The Board of Trustees (BOT) has directed the University to modernize existing efforts by requiring the implementation of an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process, and the internal controls processes championed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its publications Internal Controls - Integrated Framework and Enterprise Risk Management - Integrating with Strategy and Performance.

B. Successful implementation of this policy requires University leadership to establish and foster an open, transparent culture that encourages people to communicate information about potential risks and other concerns with their superiors without fear of retaliation or blame. An open and transparent culture results in the earlier identification of risks and allows the opportunity to develop a collaborative response, ultimately leading to more resilient operations.

C. This policy applies to all members of the Senior Leadership Team and their respective divisions, departments, related activities, supervisors, and employees in carrying out those responsibilities they are charged with in administering the affairs of the University.

**III. DEFINITIONS**

A. **Enterprise Risk Management:** Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

B. **Internal Control:** Internal Control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable

assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

#### **IV. PROCEDURES**

- A. Annually, the University will develop a risk profile aligned with its strategic and performance goals. Management must provide assurances on internal control effectiveness to the BOT. Information regarding identified material or significant weaknesses and corrective actions should be included in Management assurance reports.
- B. The primary compliance indicators that management must consider when implementing this policy include:
  - a) Management is responsible for the establishing a governance structure that effectively implements, directs and oversees implementation of this policy and all the provisions of a robust process of risk management and internal controls.
  - b) Implementation of this policy should leverage existing offices or functions within the University that currently monitors risks and the effectiveness of the University's internal controls.
  - c) The University should develop a maturity model approach to the adoption of an ERM framework consistent with COSO's Enterprise Risk Management – Integrating with Strategy and Performance. The University must continuously build risks identification capabilities into the framework to identify new or emerging risks, and/or changes in existing risks
  - d) Management must evaluate the effectiveness of internal controls annually using COSO's Internal Controls – Integrated Framework.
- C. Effective systems of internal administrative and accounting control provide the basic foundation upon which a structure of public accountability must be built. Effective systems of internal administrative and accounting control are necessary to attain the University's goals and objectives; promote operational efficiency and effectiveness; comply with applicable Federal, State, and local laws, regulations, and policies; safeguard assets and funds; and protect the integrity and reliability of financial and operational information.
- D. Effective systems of internal administrative and accounting control are necessarily dynamic and must be continuously evaluated and, where necessary, established, changed, or improved. Irregularities, noncompliance, and failure to meet goals and objectives are more likely to occur from a lack of effective systems of internal administrative and accounting control at the University.
- E. The President and Senior Leadership Team are responsible for establishing and maintaining systems of internal administrative and accounting control. The Division of Audit assists the BOT and the President by examining, evaluating, and reporting on the adequacy and effectiveness of the University's systems of internal control. Reports regarding the adequacy of the systems of internal administrative and accounting control of each University division aid in evaluating the division's performance of its public responsibilities and accountability.

F. The University will annually, provide to the BOT an assurance statement and summary information including an analysis of the University's systems, controls, and legal compliance. It should include a summary of the University's process for assessing internal control effectiveness and resulting material weaknesses and corrective action plans. The assurance statement is an accountability statement; therefore, only essential information should be included.

**G. Standards:**

- a) FAMU shall have an adequate system of internal administrative control to provide reasonable assurance that:
  - a. Goals and objectives of the University will be attained;
  - b. Operating and program results are in accordance with President's and BOT's intent;
  - c. Operations are efficient and effective; and
  - d. Applicable laws, regulations, and policies have been complied with.
- b) FAMU shall have an adequate system of internal accounting control to provide reasonable assurance that:
  - a. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
  - b. Revenues, expenditures, obligations, and other transactions applicable to University operations are properly recorded and accounted for in order to permit the preparation of reliable financial and statistical reports and analyses and to maintain accountability over assets.

**H. RESPONSIBILITIES:**

- a. President
  - i. Internal Control
    - 1. Provide guidance for the establishment of each divisions' systems of internal administrative and accounting control. The President may modify such guidelines from time to time as deemed necessary.
    - 2. Arrange for professional and technical support to the various University departments in establishing systems of internal administrative and accounting control.
  - ii. Enterprise Risk Management
    - 1. Lead the setting of strategic objectives for the institution.

2. Inspire and foster cultural change in support of ERM as a value and best practice for the institution.
3. Lead management discussions with the BOT regarding institutional strategy and risk philosophy.
4. Review and approve recommendations from the Enterprise Risk Management Advisory Committee (ERMAC) (taking into consideration accompanying independent assessments from non-voting ERMAC members) regarding the development and implementation of the ERM program; ERM policy; institutional risk philosophy; institutional risks or opportunities with sufficient impact on the University's strategic objectives to warrant development of risk response plans; and proposed response plans for these risks.
5. Review and approve risk information and ERM progress reports prior to their submittal to the Audit Committee or the full BOT.

b. Division of Finance and Administration

i. Internal Control

1. The Division of Finance and Administration has the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules, and regulations.
2. Develop for the President's approval procedures establishing the guidelines for the establishment of systems on internal control. These procedures shall be consistent with the COSO's *Internal Controls - Integrated Framework*.
3. Establish guidance for the University, by each department, of its systems for internal control over cash.
4. Arrange for professional and technical support to the various University departments in establishing systems for internal control over cash.
5. The Division of Finance and Administration is the University source for information and assistance to faculty and staff leadership on this topic and will make resources available to any business function on campus to assist in administering this policy.

ii. Enterprise Risk Management

1. University's chief budget officer has the responsibility to ensure that risks associated with achieving the university's strategic goals are captured in the annual budget planning process.

c. Chief Risk Officer

- i. Primary responsibility for the design and implementation of Enterprise Risk Management consistent with COSO's *Enterprise Risk Management: Integrated with Strategy and Performance* under the direction of the Vice President for Strategic Planning, Analysis and Institutional Effectiveness.
  - ii. Responsible and accountable to the President for overseeing the development, implementation, and fostering of a collaborative, campus-wide approach to ERM at the University.
  - iii. Promote the consistent use of risk management and ownership of risk at all levels of the institution.
  - iv. Build a risk-aware culture, including appropriate education and training.
  - v. Lead the institution's processes for identifying, analyzing, evaluating, responding to and controlling, monitoring, and reporting on key risks.
  - vi. Submit risk information for review on a regular basis to the Board Audit Committee and the full BOT.
  - vii. As the Responsible Official for the University's ERM policy, oversee its development and approval by the President.
  - viii. Charge, appoint, and oversee the work of an ERM Advisory Committee (ERMAC).
- d. General Counsel
- i. Act as legal counsel to the ERMAC.
  - ii. Prepare for the President an independent assessment of ERMAC reports/recommendations from the legal perspective.
  - iii. As the University's chief legal counsel, advise on risks and opportunities related to governance, legal, and compliance risk.
- e. Chief Compliance and Ethics Officer
- i. Internal Control
    - 1. The Chief Compliance and Ethics Officer has primary responsibility for the design and implementation of the University's Compliance and Ethics program consistent with Board of Governors Regulation 4.003 *State University System Compliance and Ethics Programs*.
  - ii. Enterprise Risk Management
    - 1. Non-voting, ex officio member of the ERMAC, provide counsel on compliance and privacy matters.

2. Prepare for the President an independent assessment of ERMAC reports/recommendations from the compliance and privacy perspectives.
3. Evaluate and provide reports on compliance and privacy risks to the University's senior management and ERMAC.
4. Work with ERMAC and the Chief Risk Officer on risks that are both compliance and key risks.

f. Office of Human Resources

- i. The Office of Human Resources is responsible for internal controls over employee recruitment, hiring, separation, promotion, job classification, employee rights, and salary administration.
- ii. The Chief Human Resources and Diversity Officer is the University's source for information and assistance to faculty and staff leadership on this topic and will make resources available to any business function at the University to assist in administering this policy.

g. Division of Audit

i. Internal Control

1. Conduct an independent review and assessment of the adequacy and effectiveness of internal controls at all levels of the university.
2. Report findings related to the Division of Audit's evaluation of internal control systems to the President and BOT.
3. Provide technical assistance to the President and the Senior Leadership Team regarding internal control systems.
4. The Division of Audit, which must remain independent and objective, shall not have responsibility for establishing or maintaining the university's internal control systems.

ii. Enterprise Risk Management

1. Non-voting, ex officio member of the ERMAC, provide independent consultation and advice
2. Provide assurance to the BOT and the President on the effectiveness of the risk management process, including the evaluation, reporting, and management of key risks.
3. Consult and advise on identifying and responding to risks and on the effectiveness of the risk assessment process.

h. Senior Management (Vice-Presidents, Deans, and Separate Directors)

- i. Demonstrate full commitment to ERM as a value and best practice.
- ii. Support the President, Chief Risk Officer, and ERMAC in creating the appropriate internal environment and institutional culture for ERM.
- iii. Through an interview process, annually identify risks and opportunities that may affect the achievement of University objectives.
- iv. As responsible officials, assess and manage institutional risks under the oversight of the President, Chief Risk Officer, ERMAC, and the Board of Trustees; may make presentations to the ERMAC or BOT committees upon request.
- v. Assess and manage unit-level risks within unit-level plans, budgets, and resources.
- vi. Include a discussion of risks and opportunities relevant to the mission of the senior management's unit or the University, as well as the status of any response to such risks or opportunities, in their annual workplan and budget submission.

i. Employees

i. Internal Control

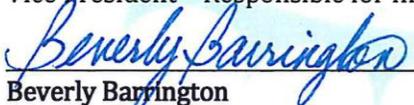
1. Each university employee with an oversight role for the use of university funds and for financial operations and budgets is accountable for upholding control principles and is responsible for ensuring that internal controls are established, documented, and functioning to achieve the university's and the unit's mission and objectives. This responsibility includes requiring that staff are educated and well-trained on university financial policies.

ii. Enterprise Risk Management

1. Each employee of the university has a role in the system of internal control. Each employee should understand:
  - a. The risks that relate to their roles and their activities;
  - b. How the management of risks relate to the success of the institution;
  - c. How the management of risks help them to achieve their own goals and objectives;
  - d. Their accountability for particular risks and how they can manage them;
  - e. How they can contribute to continuous improvement of risk management;

- b. How the management of risks relate to the success of the institution;
- c. How the management of risks help them to achieve their own goals and objectives;
- d. Their accountability for particular risks and how they can manage them;
- e. How they can contribute to continuous improvement of risk management;
- f. That risk management is a key part of the organization’s culture; and
- g. The need to report in a systematic and timely way to senior management any perceived new or emerging risks and any near misses or failures of existing control measures within the parameters agreed.

- I. **EXCEPTIONS:** There shall be no exceptions to this policy.
- J. **ADMINISTRATION:** The Division of Finance and Administration shall be responsible for administering this policy.

 <u>Larry Robinson, Ph.D.</u> President	<u>12/3/19</u> Date
 <u>Richard Schweigert</u> Vice President – Responsible for Internal Controls	<u>12/3/19</u> Date
 <u>Beverly Barrington</u> Vice President – Responsible for ERM	<u>11/13/19</u> Date

<b>Attachments:</b>	n/a
<b>Hyperlink Addresses:</b>	