



## ARMICS - INTERNAL CONTROLS

**Policy Title:** ARMICS- Internal Controls

**Policy Type:** Administrative

**Policy Number:** Administrative Policy # 41-11 (2014)

**Approved:** 12/16/2021

**Responsible Office:** Controller/Financial Services Office

**Responsible Executive:** Vice President for Finance and Administration

**Applies to:** University Community

### POLICY STATEMENT

The University's Board of Visitors and the President are dedicated to maintaining an effective "tone-at-the-top" through their commitment to competence, integrity, and ethical values as communicated in Norfolk State University Code of Ethics. The University's internal controls will comply with the letter and the spirit of the state comptroller's guidelines and provide reasonable assurance that the goals and objectives of the University will be achieved. This same commitment is an expectation for all University employees. Failure to adhere to this policy and/or related University policies and procedures may be considered misconduct and will be evaluated based on the severity and/or frequency of the offense. Where appropriate, disciplinary action may be taken, including termination of employment.

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### DEFINITIONS

**Agency Risk Management and Internal Control Standards (ARMICS):** Guidelines implemented for the University's internal control program. ARMICS provides guidance for establishing and assessing the University's internal control in order to manage effectively risk and maintain accountability over significant fiscal processes. ARMICS requires the University to



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document, evaluate, and test University-level controls across the following five components of internal controls:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

**Internal controls** are procedures designed to provide reasonable, but not absolute assurance in the following areas:

1. Effectiveness and efficiency of operations,
2. Reliability and completeness of financial reporting and information,
3. Compliance with applicable state, university and departmental laws, regulations and policies, and
4. Protection of assets.

**Internal control procedures** include the following actions:

1. Appropriate authorization and approval,
2. Documented review of data for accuracy, completeness, validity and reasonableness,
3. Appropriate supervision,
4. Physical security of assets,
5. Written policies and procedures,
6. Documentation of processes,
7. Appropriate segregation of duties,
8. Information security, including approval of access to information, and
9. Appropriate assignment of duties, responsibilities, and authorities.

**Significant Fiscal Process:** A component or unit of financial operations that has been identified by the University as significant to the overall institution based on one or more of the following characteristics:

1. Consumes a proportionally large share of University resources
2. High degree of public visibility
3. Represents areas of concern and high risk to mission-critical business processes for University managers and stakeholders
4. Significant effect on general ledger account balances

**Board of Visitors:** Public trustees who have the responsibility and authority for the continuing operation, development of evolving policies, and financial oversight of the University.

**Agency Head:** President, or agency designee



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**Management:** The collective body of those who have authority and responsibility to make decisions in order to manage or direct the operations and business processes of the University.

**University Employee:** An individual employed as teaching faculty, administrative or professional, classified, part-time or wage employee, student employee, work-study or any person paid through the University payroll process.

**Tone-at-the-top:** directives, actions, behaviors that demonstrate the importance of integrity and ethical values

### CONTACT(S)

The Controller/Financial Services Office officially interprets this policy. The Vice President for Finance and Administration is responsible for obtaining approval for any revisions as required by BOV Policy # 01 (2014) *Creating and Maintaining Policies* <https://www.nsu.edu/policy/bov-01.aspx> through the appropriate governance structures. Questions regarding this policy should be directed to the Controller/Financial Services Office.

### STAKEHOLDER(S)

All University employees (faculty, staff).

### INTERNAL CONTROL POLICY CONTENTS

The purpose of this policy is to provide guidelines for the execution of internal controls in accordance with state requirements at Norfolk State University. As agency head, the President is ultimately responsible for ensuring the University establishes and maintains a strong system of internal control, including meeting any requirements of the Commonwealth. The responsibility for implementing internal control standards begins with the President and extends to everyone at the University. The President holds leadership responsibility for helping to design, implement, and maintain the University's internal control program that encompasses all the University fiscal programs and related activities. The Vice President of Finance and Administration shares this leadership role.

As required by Commonwealth Accounting Policies and Procedures (CAPP) Manual, Section 10300, Internal Control Guidance, the President is responsible for having management document the University's assessment of internal control for the following:

1. Recording of financial transactions in the general ledger
  2. Compliance with the University's financial reporting requirements
  3. Compliance with laws and regulations
  4. Stewardship over the University's assets
- A. **Internal Control Assessment:** The assessment of internal control and documentation must be conducted in accordance with ARMICS. Annually, the Assistant Vice President for Finance and Administration/University Controller's office will review, test and document

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University level and transaction level controls applicable to significant fiscal processes. Corrective action plans are developed, if necessary, and submitted to Department of Accounts with annual ARMICS certification. The President and Vice President for Finance and Administration will sign an annual certification to the Comptroller of Virginia, Department of Accounts that the University has established, maintained, and evaluated its system of internal control for significant fiscal processes. Management's assessments of its internal control are subject to audit and review by the Internal Auditor as well as external auditors. The University President or designated agency fiscal officer will provide the results of the assessment to the Board of Visitors.

- B. Division/Department Head:** Division/Department Heads are responsible for ensuring that management within their respective areas of responsibility implement and maintain a strong system of internal control. Division/Department Heads are encouraged to seek the assistance of the Vice President of Finance and Administration, the University Controller or ARMICS Coordinator when needed.
- C. All Management Responsibility:** All management is responsible for ensuring that employees are sufficiently informed of their internal control responsibilities and for monitoring the design and operating effectiveness of internal controls on an ongoing basis. Management is responsible for prompt corrective action on all internal control findings and recommendations made during internal or external reviews and/or audits.
- D. University Employees:** All University employees must perform their duties and conduct University activities in accordance with proper internal control as prescribed in University policies, procedures, and memoranda.

### Monitoring the System of Internal Control

- A. Monitoring:** The monitoring component of ARMICS assesses the functioning and continuous improvement of internal control throughout the University by using activities such as analysis, questionnaires and comparison of information from disparate sources. Ongoing management activities and/or separate evaluations will insure that the University accomplishes this successfully.
- B. Internal Auditor:** Internal Auditor is charged by the Board of Visitors (see Internal Audit Charter) with independently ascertaining that the internal control processes designed by management are adequate and functioning in an effective manner. The Office of Internal Audit also responsible for reporting to management and the Audit Committee of the Board of Visitors on the adequacy and effectiveness of the University's system of internal control including any ideas, counsel, and/or recommendations for improvement. The Internal Auditor holds essential responsibilities for assessing, testing, and reporting on internal control. Although internal auditors can provide valuable consultative services with regard to control design, function, and assessment, they cannot relieve management of its responsibility. The University may use the internal auditor's analysis of internal control in its assessment of internal controls; however, the internal auditor's work cannot be substituted for management's independent analysis and documentation of agency internal control. The results of audits or reviews conducted by the Internal Auditor will be provided to management and the Board of Visitors.
- C.**



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### EDUCATION AND COMPLIANCE

The Office of the Controller shall make available to all affected parties the training on the requirement of this policy. To ensure conformity of the requirement of this policy, the Office of the Vice President of Finance will monitor for compliance with this policy annually.

### PUBLICATION

This policy shall be widely published and/or distributed to the University community and included in the online University Policy Library.

1. Communicate the policy in writing, electronic or otherwise, to the University community within 14 days of approval;
2. Submit the policy for inclusion in the online Policy Library within 14 days of approval;
3. Post the policy on the appropriate website; and
4. Educate and train all stakeholders and appropriate audiences on the policy's purpose and content, as necessary. Failure to meet the publication requirements does not invalidate this policy.

### REVIEW SCHEDULE

List the following:

- Next Scheduled Review: 12/16/2024
- Approval by President: 08/18/2014
- Revision History: 08/18/2014;08/18/2015;07/19/2016;06/26/2017; 05/22/2018; 05/28/2019; 12/16/2021
- Supersedes: None – New Policy

### RELATED DOCUMENTS

1. Internal Control Guidance: Internal Control; Commonwealth Accounting Policy and Procedures (CAPP) Manual Section 10000; Topic 10305

[https://www.doa.virginia.gov/reference/CAPP/CAPP\\_Topics\\_Cardinal/10305.pdf](https://www.doa.virginia.gov/reference/CAPP/CAPP_Topics_Cardinal/10305.pdf)

### FORMS

*There are no forms associated with this policy and procedures.*