**Reason for Policy**

This policy is intended to ensure that the university has a **strong** system of accountability for and oversight of its operations ~~and to assist the university in reaching its goals and meeting its objectives~~.

**Entities Affected by this Policy**

All **areas of the** University of Oregon ~~units and departments engaged in internal controls~~.

**Web Site Address for this Policy**

[To be completed upon posting]

**Responsible Office**

For questions about this policy, please contact the Office of the Vice President for Finance and Administration at (541) 346-3003 or vpfa@uoregon.edu.

**Enactment & Revision History**

Technical revisions enacted by the University Secretary on August 3, 2015.

Became a University of Oregon Policy by operation of law on July 1, 2014.

Former Oregon State **B**oard of Higher Education Policy.

**Policy**

The University of Oregon (UO) shall establish and maintain an effective system of internal controls. Internal controls are designed to **reasonably** assure that the UO ~~and the University~~ meet**s** **its** mission, promote**s** performance leading to effective accomplishment of objectives and goals, safeguard**s** assets, provide**s** accurate and reliable financial and other key data, promote**s** operational efficiency and economy, and encourage**s** adherence to applicable laws, regulations and prescribed management policies and practices. **Control activities, which occur throughout the organization at all levels and functions, help ensure that necessary actions are taken to address risks while achieving the institution’s objectives.** The control model for the UO is the **“Internal Control** Integrated Framework**”** ~~of Internal Control~~ as promulgated by the congressionally established Committee of Sponsoring Organizations (COSO)**, and the “Standards for Internal Controls in the Federal Government” issued by the Comptroller General of the United States**.

**GUIDING PRINCIPLES**

The ~~System’s~~ **UO’s** internal control and risk assessment practices shall help ensure that:

1. University activities and operations function effectively and efficiently;
2. University activities and operations comply with **applicable** laws, regulations, and ~~System~~**UO** policies**~~,~~** and standards;
3. University processes result in accurate and reliable financial information and reports;
4. **U**niversity resources are adequately protected;
5. ~~All material r~~**R**isks facing the ~~the~~ university, including, but not limited to, strategic, operational, financial, compliance, and reputational, are routinely identified and assessed, and ~~appropriately~~ **effectively** managed **(which may include acceptance of risks within the risk tolerances of the institution)**;
6. Control activities and other mechanisms are proactively designed to address and manage significant risks;
7. Information critical to identifying risks and meeting the university’s mission and strategic objectives is communicated through established channels throughout the UO; and**,**
8. Controls are monitored and identified problems are addressed in a timely manner.

**DEFINITION~~S~~ OF INTERNAL CONTROL**

A process, ~~affected~~ **adopted** by the Board, **president,** ~~management,~~ ~~and~~**or** other **properly authorized** personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

* Effectiveness and efficiency of operations
* Reliability of financial reporting
* Compliance with applicable laws**,** ~~and~~ regulations**, and UO policies and procedures**

**Per the COSO Integrated Framework, t**he components **and principles** of **effective** internal control are:

* Control Environment
	+ **The organization demonstrates a commitment to integrity and ethical values**
	+ **The board of trustees demonstrates independence from management and exercises oversight of the development and performance of internal control**
	+ **Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives**
	+ **The organization demonstrates a commitment to attract, develop, and retain competent individuals on alignment with objectives**
	+ **The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives**
* Risk Assessment
	+ **The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives**
	+ **The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed**
	+ **The organization considers the potential for fraud in assessing risks to the achievement of objectives**
	+ **The organization identifies and assesses changes that could significantly impact the system of internal controls**
* Control Activities
	+ **The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels**
	+ **The organization selects and develops general control activities over technology to support the achievement of objectives**
	+ **The organization deploys control activities through policies that establish what is expected and procedures that put policies into action**
* Information and Communication
	+ **The organization obtains or generates and uses relevant, quality information to support the functioning of internal control**
	+ **The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control**
	+ **The organization communicates with external parties regarding matters affecting the functioning of internal control**
* Monitoring
	+ **The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning**
	+ **The organization evaluates and communicates internal control deficiencies in a timely manner to persons responsible for taking corrective action, including senior management and the board of trustees, as appropriate**

**Internal Control-Integrated Framework-Executive Summary, © 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO). All rights reserved. Used with permission.**

**Further information about the control model used by the University, including information on the integrated framework and definitions, is available from the COSO website.**

**~~Control Environment~~**

~~The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. 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 board of directors.~~

**~~Risk Assessment~~**

~~Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. 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. Because economic, industry, regulatory, and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.~~

**~~Control Activities~~**

~~Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.~~

**~~Information and Communication~~**

~~Pertinent information must be identified, captured, and communicated in a form and timeframe that enable 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 business. They deal not only with internally generated data, but also information about external events, activities, and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across, and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators, and shareholders.~~

**~~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. It includes regular management and supervisory activities and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.~~

**RESPONSIBILITIES**

~~President~~

~~The President, through directed leadership, shared values, and a culture that emphasizes accountability, is responsible for ensuring that an effective internal control system is established and maintained for the operations of the University. Similarly, the President is also responsible for ensuring that such a system is established and maintained in the University. Notwithstanding any delegation made by the President to administer this policy, the President shall be responsible to the Board for the faithful execution of this policy, consistent with the other policies of the UO and applicable law.~~

**The President, through directed leadership, shared values, and a culture that emphasizes accountability, is ultimately responsible for ensuring that an effective control system is in place. However, the execution and use of that control system is a shared responsibility and obligation. All university employees are expected to maintain the control environment of the university by understanding and following all university policies, processes, and procedures.**

**~~POLICY PROVISIONS~~**

1. ~~Internal Control System Elements~~

~~The internal control system at the UO shall be developed using the COSO model that includes the following elements:~~

* ~~Control Environment~~
* ~~Risk Assessment~~
* ~~Control Activities~~
* ~~Information and communication~~
* ~~Monitoring~~

**Related Resources**

~~COSO Integrated Framework with Definitions (Document subject to change; for current version visit~~ [~~www.COSO.org~~](http://www.COSO.org)~~) [hyperlink to PDF]~~

**Committee of Sponsoring Organizations of the Treadway Commissions (**[**www.coso.org**](http://www.coso.org)**)**

**Standards for Internal Control in the Federal Government (**[**http://www.gao.gov/greenbook/overview**](http://www.gao.gov/greenbook/overview)**)**