



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 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 ~~h~~Board 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 assure that the UO ~~and the University~~ meets their-its mission, promotes performance leading to effective accomplishment of objectives and goals, safeguards assets, provides accurate and reliable financial and other key data, promotes operational efficiency and economy, and encourages adherence to applicable laws, regulations and prescribed management policies and practices. The control model for the UO is the Integrated Framework of Internal Control as promulgated by the congressionally established Committee of Sponsoring Organizations (COSO).

GUIDING PRINCIPLES

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

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- (1) University activities and operations function effectively and efficiently;
- (2) University activities and operations comply with laws, regulations, ~~and System~~ policies, and standards;
- (3) University processes result in accurate and reliable financial information and reports;
- (4) ~~The President's Office and u~~University resources are adequately protected;
- (5) All material risks facing the ~~the~~ university, including, but not limited to, strategic, operational, financial, compliance, and reputational, are routinely identified and assessed, and appropriately managed;
- (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.

DEFINITIONS OF INTERNAL CONTROL

Internal Control

A process, ~~affected-effected~~ by the Board, ~~president, management~~ leadership, and other 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

The components of internal control are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Further information about the control model used by the University, including definitions, is available from the COSO website: <http://www.coso.org/IC.htm>

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

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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

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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.

An effective internal 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~~

~~A. 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

N/A