

Policy 1108
Internal Controls

Date of Current Revision: October 2023

Responsible Officer: Associate Vice President for Finance

1. PURPOSE

This policy provides guidelines for implementation of internal control programs.

2. AUTHORITY

The Board of Visitors has been authorized by the Commonwealth of Virginia to govern James Madison University. See Code of Virginia § 23.1-1600; § 23.1-1301. The Board has delegated the authority to manage the university to the president.

STATE OR FEDERAL STATUTE AND/OR REGULATION

Sarbanes-Oxley Act (SOX)

Code of Virginia § 2.2-2684 et seq.

The state comptroller mandates the implementation and annual assessment of agency internal control systems. The comptroller further requires that the documentation and assessment of internal controls be conducted in accordance with the state's [Agency Risk Management and Internal Control Standards \(ARMICS\)](#).

3. DEFINITIONS

Academic Unit Head

An academic department head or its functional equivalent.

Department Head

A director, or its functional equivalent of that position.

Internal control

A process, effected by the Board of Visitors, management, or other university personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations (including financial and operational performance goals and safeguarding assets against loss)
- reliability of reporting (including internal/external financial and non-financial reporting)
- compliance with applicable laws and regulations (including university and departmental policies and procedures)
- safeguarding of assets against loss

Examples of internal control activities include:

- proper authorization and approval

- documented review of information for accuracy, completeness, and validity
- proper supervision
- performance planning and evaluation
- physical security of assets
- written policies and procedures
- process documentation
- proper segregation of duties
- proper assignment and authorization to information systems, electronic applications, and data
- procedures to secure data
- education, training, and coaching

4. APPLICABILITY

This policy applies to critical processes at the university and to all employees of the university.

5. POLICY

The university will maintain adequate internal controls in order to provide reasonable assurance of the integrity of fiscal processes related to the submission of transactions to the Commonwealth's general ledger, submission of financial statement directive materials, compliance with laws and regulations, and stewardship over the Commonwealth's assets.

6. PROCEDURES

6.1 University employees should be familiar and follow procedures detailed in the [Financial Procedures Manual Policy 3005 – Internal Controls](#).

6.2 Department heads implement and maintain adequate documentation regarding internal controls for their areas.

6.3 The Finance Office establishes internal control and conducts internal control reviews in accordance with ARMICS to determine whether adequate internal control measures exist to address potential risks in a cost-effective manner.

6.4 Department heads will consult with the associate vice president for finance as needed on how best to incorporate internal controls into new and revised processes and systems.

6.5 The associate vice president for finance or designee evaluates internal controls annually to determine operating effectiveness and issues a statement concerning internal controls to accompany the university's submission of its financial statements to the Department of Accounts.

6.6 The associate vice president for finance or designee documents the agency's assessment of internal controls, in compliance with ARMICS and the related comptroller's directive.

7. RESPONSIBILITIES

Vice presidents are responsible for ensuring that adequate internal controls are maintained in their respective divisions.

Academic unit heads and administrative department heads are primarily responsible for maintaining adequate internal controls in their areas.

The associate vice president for finance or designee is responsible for establishing an internal control policy and development and publication of procedures.

All departments, offices and employees that generate, receive, or maintain public records under the terms of this policy are also responsible for compliance with Policy [1109](#) – Records Management.

8. SANCTIONS

Sanctions will be commensurate with the severity and/or frequency of the offense and may include termination of employment.

9. EXCLUSIONS

None.

10. INTERPRETATION

The authority to interpret this policy rests with the president, and is generally delegated to the associate vice president for finance.

Previous version: March 2018

Approved by the president: November 2002