

# UNIVERSITY OF NORTH ALABAMA INTERNAL CONTROL POLICY

## Background

The Bylaws of the Board of Trustees for the University of North Alabama direct the President to establish financial, budgetary, audit, and business procedures for the efficient and effective management of the University. The Board of Trustees recognizes the need for, and the value of, a strong system of internal controls.

## Purpose

This policy describes the general guidelines for establishing and maintaining internal control procedures for departments and other University activities.

## Policy

Internal controls include organizational plans and procedures that are designed to:

- Safeguard assets;
- Verify the accuracy and reliability of accounting data and other management information;
- Promote operational efficiency; and
- Ensure adherence to prescribed policies and compliance with federal and state regulations.

Administrators are responsible for conducting their business activities in a manner consistent with good internal control procedures. Individuals responsible for administering University funds are expected to:

- Ensure that internal control procedures are available to and understood by those carrying out financial transactions;
- Comply with University, Federal, State, Sponsor, and Donor terms, conditions, and restrictions on the use of funds;
- Grant or delegate financial authority carefully, with consideration for proper segregation of duties;
- Ensure that appropriate reviews and monitoring take place, including a monthly review of transactions for reasonableness and necessity, and conduct a periodic review of operating reports and performance indicators;
- Explain to individuals that they will be accountable for their actions when accessing institutional records or processing transactions;
- Communicate financial information properly and in a timely manner, and grant access to financial information only for appropriate business uses; and
- Set a tone within the organization for ethical conduct and integrity.

## **Review and Evaluation of Internal Controls**

The Vice President for Business and Financial Affairs (VPBFA) is responsible for the promulgation of policies and procedures directed toward the establishment of good internal controls (as approved by the President of the University).

The Audit, Finance, and Administration Committee of the Board of Trustees (as is described as a standing committee in Board Bylaws Article IV – Committees, Section 2) shall function as the University’s Internal Audit Committee to review and measure the effectiveness of the controls established within the framework of this policy. As noted in Bylaws Article IV, committee members and its chairperson shall be appointed annually by the President Pro Tempore of the Board. This committee shall report at least annually to the Board of Trustees on activity for the preceding fiscal year, and shall take such other actions as it deems necessary to insure compliance with the Internal Control Policy and Procedures.

## **Notification of Suspected Financial Irregularities and Control Weaknesses**

The President of the University is to be notified immediately of any material financial irregularities, suspected fraud or embezzlement, or major flaws detected in any/all internal control procedures.

Any observed weaknesses in internal control should be brought to the attention of the VPBFA.

**UNIVERSITY OF NORTH ALABAMA  
INTERNAL CONTROL PROCEDURES  
BUSINESS AND FINANCIAL AFFAIRS**

**A. Cash Management**

**1. General**

Members of the university community who receive University monies are responsible for the collection and safekeeping of all cash entrusted to them and for the safety of employees who handle cash. For the purposes of Cash Management, the term “cash” is defined to include cash, checks, credit card payments, money orders, and other negotiable instruments whether received in person, by mail, or by the telephone.

Monies received will be deposited on a daily basis at the University Cashiers Office located in Bibb Graves Hall. The Cashiers Office is the centralized area responsible for the cashiering, depository, and collection functions of the University. Only offices approved by the Controller may keep cash overnight. These funds must be secured in a locked safe that has been previously approved by the Controller. No checks shall be cashed, no purchases shall be made, and no substitution of cash, checks, or other documents shall be made from the actual monies received.

**1.1 Petty Cash**

Withholding monies to establish departmental petty cash funds is not permitted. Departments that need a petty cash account for making change must submit a formal request, through the appropriate Dean or Vice President, to the University Controller. A written justification must accompany the request, with approvals by the appropriate Dean or Vice President.

Petty cash accounts must be intact at all times. Overages and shortages must be recorded upon discovery and immediately reported to the Controller.

**1.2 Bank Accounts**

All funds intended for the University must be deposited into an approved University bank account. Only the Vice President for Business and Financial Affairs (with prior approval of the President of the University) has the authority to establish a University bank account. All University bank accounts require two signatures (VPBFA, Controller, or the President) for the withdrawal or transfer of any funds. All bank accounts will be reconciled on a monthly basis by individuals not preparing deposits.

The Bank Signature Cards and the Board Minutes that authorize the check signers shall be kept up-to-date and in agreement.

## **2. Deposits**

### **2.1 Cash Receipt and Credit Card Reports**

A computer-generated, daily cash receipt report will be produced for all non-student receivable payments. This report will provide name of payer, receipt date, receipt number (computer generated), amount of transaction, and University financial account number. All voided cash receipts must be approved by the Cashier's supervisor and filed with daily cash receipt records.

A batch listing of payments to student accounts shall be computer-generated with financial information transferred to the Financial Records System.

Each point-of-sale station at the end of each day shall generate credit card receipt reports. These reports shall be compared to computer generated student account payments with variances immediately reported to the supervisor.

### **2.2 Transporting Deposit**

A locked bag must be used to transport daily cash deposits to the bank. Cash deposits are to be made on a daily basis. A duplicate bank deposit ticket will be prepared for each bank account. The cashier making the deposit will ensure the bank validates each ticket. If a bank deposit cannot be made, the Controller must be notified before 4:00 p.m. each day. The Controller will then make the deposit, or ensure the cash is safely secured in the University's vault, room 102, Bibb Graves Hall. A copy of the bank validated deposit ticket shall be forwarded to the Controller's office on a daily basis.

## **3. Accountability of Cash**

### **3.1 Limiting Access to Cash**

Access to cash must be restricted to the employee responsible for the cash. Separate cash drawers shall be used to accommodate employee breaks. All cash received after the daily deposit must be placed in a secure location.

### **3.2 Recording Payment Transactions**

#### **3.2.1 Person Paying is Present**

When cash is received in the presence of the person making payment, recording of the transaction must take place immediately by issuing a computer-generated receipt or a pre-numbered printed receipt. Departments with pre-numbered receipt books must account for and provide an explanation for all missing or voided receipts.

### **3.2.2 Person Paying is Not Present**

Where the recording of cash cannot be observed by the person making the payment, two (2) individuals must be present when opening mail or emptying collection boxes.

### **3.2.3 Checks**

Checks must be payable to *The University of North Alabama, UNA*, or department (e.g. *UNA University Police, UNA Student Engagement*, etc.). All checks *must* be restrictively endorsed “for deposit only” immediately upon receipt. The University’s endorsement renders the check non-negotiable and must be stamped on the back of all checks. The endorsement stamp must contain certain required information and stamps must be obtained from the Controller’s office.

#### **3.2.3.1 Returned Checks**

Only cash or certified funds will be accepted to redeem a returned check. When a check received by the University is returned for non-payment, an aggressive effort shall be made to collect the amount of the check from the issuer. The University will take the actions listed below:

- The issuer’s check-cashing privileges shall be suspended until the amount of the original check, plus any associated fees, is paid in full.
- A hold will be placed on all student registration, transcripts, and other University services until the amount of the original check, plus any associated fees are paid. A certified letter will be sent to the issuer with notification that within 10 days the returned check will be forwarded to the District Attorney’s (DA) office for collection. After the completed time, the instrument shall be delivered to the DA’s office for collection.

#### **3.2.3.2 Negotiating Checks Payable to the University**

Occasionally a check is made payable to the University with the intent that the money be transferred to a student or the on-campus bookstore. The Business Office is the only University department authorized to negotiate checks payable to the University. Checks payable to the University are not endorsed over to the person presenting the check, except for Plus loan checks. Plus loan checks may be endorsed over to the student’s parent that is listed as a co-payee on the check if the student has no financial

obligation to the University. Proper identification is required before endorsement. Non-financial-aid checks made payable to UNA must be deposited and subsequently replaced with a University check payable to the presenter after five (5) working days.

### **3.2.3.3 Checks Received for an Unknown Purpose**

When a University department receives a check and the purpose is unknown, the check must be delivered to the Controller's office immediately. If the Controller is unable to identify the appropriate account for deposit, the check is to be deposited into a holding account. When the appropriate account is identified, the amount shall be transferred from the holding account.

### **3.2.4 Credit Card Payments**

The University accepts payments by MasterCard, Visa, Discover and American Express. Departments that wish to begin accepting credit card payments must obtain prior approval from the Controller's Office to enter into a credit card processing agreement or to acquire electronic credit card data entry equipment.

### **3.2.5 Electronic Transfer of Funds**

Departments wishing to accept wire transfer payments must contact the Controller's office for specific requirements. All electronic funds transfer (EFT) payments from University funds must be approved and processed through the Controller's office.

## **3.3 Segregation of Duties**

Duties for receiving and recording cash must be segregated. No single employee will be placed in a position that allows the employee to receive money and record the payment into the financial system.

### **3.3.1 Duties of Employees Accepting Cash**

Access to cash must be limited to employees who have direct responsibilities related to the handling of cash. The following duties should be performed only by employees responsible for cash:

- Receive monies either in person, by mail, or electronically (i.e. telephone).
- Prepare receipts.
- Deposit cash.

#### **4. Cash Disbursements**

With the exception of petty cash reimbursements, all cash disbursements will be made by check. All cash disbursements require prior approval by the Controller or the VPBFA.

- The Controller, or designee, must examine the invoices supporting each check.
- Blank checks may not be pre-signed.
- Checks are restricted from being made payable to “Cash”.
- Check signers are restricted from approving their own reimbursement requests.
- A file copy is maintained for each check disbursed; the copy is to be stapled to the paid invoice.
- The Bank Signature Cards and the Board Minutes that authorize the check signers are kept up-to-date and in agreement.

#### **B. Accounts Receivables**

##### **1. Reconciliation of Accounts Receivable**

All accounts receivable activity for the University should be channeled through the Controller’s office. The Controller’s office will ensure that:

- Accounts receivable subsidiaries are balanced to the general ledger on a monthly basis.
- Daily payments are posted and detailed by payment listings.
- Detailed documentation is maintained for adjustments made to receivable accounts, and adjustments are restricted to staff not processing payments.
- Accountability and aging of accounts receivable are accurate to aid in preparation of the annual financial report.
- Accounts are invoiced on a timely basis, whether the receivables are due from private entities, the federal government, state agencies, or students.

##### **1.1 Delinquent Accounts Receivable**

When internal collection efforts have failed, delinquent accounts receivable will be referred to a contracted collection agency as approved by the VPBFA. The Controller or VPBFA must approve the write-off of any outstanding accounts receivable.

Documentation of past collection efforts must be provided before write-off will be approved. The Alabama Attorney General’s office must approve the write-offs of all receivables.

#### **C. Exceptions**

Any exceptions to these procedures must be approved in writing by the Vice President for Business and Financial Affairs.