

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 Finance, Facilities, and Personnel 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 by the President Pro Tempore of the Board. This committee shall review the internal control report annually and report 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, electronically, by mail, or by the telephone.

Monies received outside the University Cashiers Office will be receipted in a handwritten receipt book. Monies received before 3:30 pm will be deposited the same day and monies received after 3:30 pm will be deposited no later than the following business day at the University Cashiers Office located in the Gunn Commons building, second floor. The Cashiers Office is the centralized area responsible for the cashiering, depository, and collection functions of the University. Only offices approved by the Controller for Auditing and Finance may keep cash overnight. These funds must be secured under lock and key. 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 Controller for Auditing and Finance. 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 for Auditing and Finance.

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 cash deposits to the bank. Cash deposits are to be made at minimum on Tuesday and Thursday as well as the last business day of the month. Cash will be safely secured in a safe between deposits. A duplicate bank deposit ticket will be prepared for each bank account. The cashier making the deposit will ensure the bank validates each ticket. A copy of the bank validated deposit ticket shall be forwarded to the Controller for Accounting Services office.

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, different individuals will open and post the payments.

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 for Accounting Services or Controller for Auditing and Finance’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:

- 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.

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. 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 for Accounting Services or Controller for Auditing and Finance office immediately. If the Controller for Accounting Services or

Controller for Auditing and Finance 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, and Discover. Departments that wish to begin accepting credit card payments must obtain prior approval from the Controller for Accounting Services 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 for Accounting Services and Controller for Auditing and Finance 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 or electronic payment. All cash disbursements require prior approval by the Controller for Accounting Services or the VPBFA.

- The Controller for Accounting Services, 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 attached to the paid invoice.

B. Accounts Receivables

1. Reconciliation of Accounts Receivable

All accounts receivable activity for the University should be channeled through the Controller for Accounting Services office. The Controller for Accounting Services 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 for Accounting Services 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.