



FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Board of Trustees Policy

Board of Trustees Policy Number:	Date of Adoption: Date of Revision:
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Subject	Internal Controls and Enterprise Risk Management
Authority	Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes
Applicability	This policy applies to all University units and employees.

I. Policy Statement and Purpose

- A. The Florida Agricultural and Mechanical University Board of Trustees (BOT) is committed to a sound system of internal controls focused on accountability and oversight of operations. The BOT has prioritized the development of appropriate risk management processes and systems to identify challenges early, to bring them to the attention of University leadership, and to develop solutions. To that end, the University seeks to modernize existing efforts by requiring implementation of both the Enterprise Risk Management (ERM) capability and the internal control framework championed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its publications *Internal Controls – Integrated Framework* and *Enterprise Risk Management - Integrating with Strategy and Performance*. This integrated governance structure will improve mission delivery, reduce costs, and focus corrective actions toward mitigating key risks.
- B. The University administration shall develop an internal control environment governed by policies and procedures necessary to provide reasonable assurances that business processes result in effective and efficient operations, reliable financial reporting, and compliance with applicable Federal, state, local laws, rules, and Florida Board of Governors regulations. The established system of internal control is meant to keep the University focused on its mission and to minimize unforeseen circumstances.
- C. The University administration has the responsibility to establish and maintain an adequate system of internal controls and to furnish to the Florida Board of Governors, BOT, governmental agencies, University creditors, and other constituencies with reliable financial information on a timely basis. An adequate system of internal controls is necessary for the administration to discharge these responsibilities.
- D. Controls help ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultant financial information is reliable. External organizations and supporters of the University rely on financial information to make decisions toward appropriations, loans and other debt,

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gifts and grants, and other contractual relationships. University resources are dependent upon a system of internal controls. The Auditor General is required annually to report upon the adequacy of the University's systems for control over financial reporting and compliance. The safeguarding of University assets and the reliability upon which the University and others can place upon the University's financial records are dependent upon the effectiveness of the internal control process.

II. Definitions

- A. **Abuse:** "Abuse" means behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances. The term includes the misuse of authority or position for personal gain.
- B. **Enterprise Risk Management:** Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
- C. **Fraud:** "Fraud" means obtaining something of value through willful misrepresentation, including, but not limited to, intentional misstatements or intentional omissions of amounts or disclosures in financial statements to deceive users of financial statements, theft of an entity's assets, bribery, or the use of one's position for personal enrichment through the deliberate misuse or misapplication of an organization's resources.
- D. **Internal Control:** Internal Control is a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
- E. **Waste:** "Waste" means the act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose.

III. Components of Internal Control Program

A.

The system of internal controls must be designed and implemented to support the following components:

1. **Control Environment** – the set of standards, processes, and structures that provide the basis for carrying out internal controls across the University. The control environment comprises the commitment to integrity and ethical values that establish oversight responsibility and enforce accountability.
2. **Risk Assessment** – the process to identify, analyze, and assess risks to the

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achievement of objectives.

3. **Control Activities** – the actions established through policies and procedures to mitigate risks to the achievement of institutional objectives.
 4. **Information and Communication** – the use of relevant information to disseminate clear messages. Sound internal controls establish expectations and procedures to support the reliability and integrity of financial information and reporting.
 5. **Monitoring Activities** – the use of evaluations to ascertain whether internal controls are present and functioning.
- B. University-implemented internal controls shall be appropriate, reliable, cost-effective, comprehensive, reasonable, and directly related to control objectives.
- C. The University’s system of internal controls will include, without limitation, the following best practices: segregation of duties to ensure one person does not control all aspects of a transaction and to detect error and fraud; safeguarding of assets to prevent unauthorized access, loss or damage; safeguarding of confidential information to secure personal and private information and protect against unauthorized access and threats to security; review and approval of internal processes; timeliness to ensure deadlines are met, avoid fines, and prioritize work ; and documentation to support accuracy and consistency.

IV. **Roles and Responsibilities**

A. Board of Trustees

1. **Internal Controls**
 - a. Provide oversight for the system of internal controls.
 - b. Define expectations about integrity and ethical values, transparency, and accountability for the performance of internal control responsibilities.
2. **Enterprise Risk Management**
 - a. Provide oversight to ensure that management has implemented an effective system to identify, assess, manage, respond to, and monitor risks to the institution and its strategic objectives.
 - b. Understand and assess the risks inherent in the University’s strategy, and encourage management to pursue prudent risk to generate sustainable performance and value.
 - c. Understand the key drivers of success for the institution, and be knowledgeable about business management, governance, and emerging

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risks that may affect the institution.

- d. Work with management to establish and annually review the institution's risk philosophy.
- e. Review risk information provided by management and the Audit Committee, including ERM annual report, institutional risk portfolio, and reports on the status of risk response.
- f. Collaborate and actively engage with management in discussions of risks, especially regarding philosophy, interaction and aggregation of risks, and underlying assumptions.
- g. Define the role of the full BOT versus its standing or other committees with regard to risks oversight.
- h. Understand and assess risks associated with BOT's decisions and key strategies identified by the BOT.
- i. Provide for an appropriate culture of risk awareness across the University; monitor critical alignments of people, strategy, risks, controls, compliance, and incentives.

B. Board of Trustees Audit and Compliance Committee

1. Internal Controls

- a. Provide oversight of the entire financial reporting process. To do so effectively, the BOT should be familiar with the processes and controls that management has established and determine whether they are designed and operating effectively.
- b. Review major issues regarding accounting principles and the presentation of the financial statements. These include significant changes in the University's selection or application of accounting principles, the adequacy of internal controls, and any special audit steps adopted in response.

2. Enterprise Risk Management

- a. Represent the BOT in providing oversight of the University's ERM practices.
- b. Work with management to understand and agree on the types, frequency, and format of risk information that the BOT will review.
- c. Review risk information prior to its presentation to the full BOT, including ERM annual report, institutional risk portfolio, and reports on

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the status of risk response.

- d. Receive quarterly reports on enterprise risks and the status of risk response.
 - e. On behalf of the full BOT, periodically assess the BOT's risk oversight process.
- C. The President and the President's administration shall be responsible for establishing, maintaining, and consistently applying internal controls designed to:
- a. Prevent and detect fraud, waste, and abuse as defined in Section 11.45(1), Florida Statutes;
 - b. Promote and encourage compliance with applicable laws, rules, regulations, contracts, grant agreements, and best practices;
 - c. Support economical and efficient operations;
 - d. Ensure reliability of financial records and reports; and
 - e. Safeguard University assets.
- D. The President shall also be responsible for assessing the effectiveness of the University's system of internal controls and reporting annually to the Board of Trustees regarding the University's internal controls, any identified weaknesses, and associated corrective actions.
- E. Each employee is responsible for internal controls relevant to that individual's role within the University and that support the following objectives:
- a) **Operations Objectives** – pertain to effectiveness and efficiency of the university's operations, including operational and financial performance goals. These objectives promote orderly, economical operations and assist in achieving outcomes consistent with the university's mission. Operations should safeguard resources against loss due to waste, mismanagement, errors, and fraud.
 - b) **Reporting Objectives** – pertain to internal and external financial and nonfinancial reporting. These objectives encompass reliability, transparency, and other terms as set forth by regulators, recognized standard setters, and University rules, regulations, and policies.
 - c) **Compliance Objectives** – pertain to adherence to laws and regulations to which the university is subject.

V. Administrative Procedures

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The President, or the President's designee, shall establish appropriate administrative procedures to implement this Policy.

Attachment(s)	n/a
Hyperlink Addresses	