UNIVERSITY OF DENVER	UNIVERSITY OF DENVER POLICY MANUAL INTERNAL CONTROL	
Responsible Department: Business and Financial Affairs **Recommended By:** SVC Business and Financial Affairs **Approved By:** Board of Trustees	**Policy Number** FINA 2.10.090	**Effective Date** 8/1/2026

I. INTRODUCTION

The purpose of this Policy is to communicate the internal control objectives of the University, including internal accounting and administrative controls to reasonably ensure that fiscal transactions are accurate and proper. Internal control is meant to keep the University focused on achieving its mission while avoiding surprises. There is a balance between effective controls and mission accomplishment. Costs associated with internal controls should not exceed their benefit, nor should controls be allowed to stifle mission effectiveness and timely action. All levels of management must assess the costs, benefits, and risks when designing controls to develop a positive control environment and compensate for the risks of non-compliance, loss of assets, or unreliable reporting while accomplishing the University's mission.

II. POLICY OVERVIEW

A. General Rule

Internal controls are critical to promote sound business and financial management practices. They focus on effectiveness and efficiency of operations, reliability of financial reporting, and adherence to applicable requirements. Internal controls help ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultantfinancial information is reliable.

External organizations and supporters of the University rely on financial informationto make decisions toward appropriations, loans, gifts, grants, and other contractual relationships. University resources are dependent upon the system of internal control. Auditors are 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 which the University and otherscan place upon its financial records is dependent upon the effectiveness of the internal control process.

B. Internal Control Defined

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations (COSO) is the recognized standard for internal control systems. COSO defines internal control as a process, effected by the Board of Trustees, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting,and compliance.

This definition reflects certain fundamental concepts. Internal control is a process consisting of ongoing tasks and activities; a means to an end, and not an end untoitself. It is adaptable and effected by people at every level of the University. Internal control provides reasonable assurance, but no system of control can provide absolute assurance. It provides a comprehensive strategy for achieving thefollowing objectives:

1. Safeguard University Assets: Well-designed internal controls protect assets from accidental loss or loss from fraud.
2. Ensure the Reliability and Integrity of Financial Information: Internal controls reasonably ensure that management has accurate, timely, and complete information, including accounting records, in order to plan, monitor, and report business operations.
3. Strengthen Compliance: Internal controls help to reasonably ensure the University is in compliance with the many federal, state, and local laws and regulations affecting business operations.
4. Promote Efficient and Effective Operations: Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations.
5. Accomplish Goals and Objectives: An effective internal control system provides a mechanism for management to monitor the achievement of operational goals and objectives.

C. Internal Control Framework

The COSO framework includes five integrated components of a sound internal control system. These components aim to achieve the objectives listed above:

1. Control Environment: The control environment is the set of standards, processes, and structure that provides the basis for carrying out internalcontrol across the organization. The Board of Trustees and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization.
2. Risk Assessment: Risk assessment involves a dynamic and

iterative process for identifying and assessing risks to the achievement of objectives.

3. Control Activities: Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.
4. Information and Communication: Information and communication is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives.
5. Monitoring Activities: Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.

III. PROCESS OVERVIEW

A. Responsibility

Everyone within the University has a role in internal controls. Adequate supervision is necessary to monitor that internal controls are operating as intended, and to help ensure the reliability of accounting and operational controls by pointing out errors, omissions, exceptions, and inconsistencies in procedures. All levels of management and supervision are responsible for strengthening internal controls when weaknesses are detected.

The Board of Trustees is responsible for setting the institutional expectations for internal control, ensuring management is aware of the those expectations, requiringthe upward communications channels are open through all levels of management,and evaluating management’s effectiveness toward monitoring the control environment and implementing sound control policies and procedures.

Senior management has the responsibility to establish and maintain an adequate system of internal control and to furnish to the Board of Trustees, governmental agencies, University creditors, and other constituencies reliable financial information on a timely basis. Individuals with delegated approval authority pursuant to University Policy FINA 2.10.030 - *Limits of Authority* are responsible for establishing, maintaining, and supporting a system of internal controls within their areas of responsibility and for creating a control environment that encourages compliance with University policies and procedures.

Department managers should periodically review departmental procedures to ensure that the general principles of internal control are being followed.

Department managers are responsible for prompt corrective action on all internal control findings and recommendations made by internal and external auditors. The audit process is completed only after managers receive the audit results and take action to correct internal control weaknesses, improve systems, or demonstrate that management action is not warranted.

Faculty and staff in leadership roles are responsible for the application of this Policy and the design, development, implementation, and maintenance of systems of internal control focusing on the effectiveness of operations and the safeguarding of assets within their respective areas of responsibility. Faculty and staff in leadership positions have the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within, and contribute to, an effective internal control environment. This includes providing access to appropriate training on topics relevant to their job responsibilities.

All levels of internal control are subject to examination by external auditors who are required to report on the adequacy of internal controls over finance and compliance.

B. Internal Control System

The University's administration will establish and maintain a system of internal controls that satisfies the University's objectives in the following categories:

1. Sound control environment is created and maintained;
2. Risks are identified and effectively managed;
3. Safeguarding of University assets;
4. Reliability and integrity of financial information;
5. Compliance with University policies, plans, procedures, laws, and regulations;
6. Economical and efficient use of University resources; and
7. Meeting established objectives and goals for University operations and programs.

General internal control principles for campus units to aid in the achievement of these objectives include:

1. Separation of Duties: Duties are separated so that one person's work routinely serves as a check on another's work. No one person has complete control over more than one key function or activity (e.g., authorizing, approving, certifying, disbursing, receiving, or reconciling).
2. Authorization and Approval: Proposed transactions are authorized when proper and consistent with University policy and the department's plans. Transactions are approved by the person who

has delegated approval authority.

3. Custodial and Security Arrangements: Responsibility for physical security/custody of University assets is separated from record keeping/accounting for those assets. Unauthorized access to Universityassets and institutional data is prevented.
4. Timely and Accurate Review and Reconciliation: Departmental accounting records and documents are examined by employees who have sufficient understanding of the University accounting and financial systems to verify that recorded transactions took place and were made in accordance with University policies and procedures. Departmental accounting records and documentation are compared with University accounting system reports and financial statements to verify their reasonableness, accuracy, and completeness.
5. The general internal control principles should be applied to all departmental operations, especially accounting records and reports, payroll, purchasing/receiving/disbursement approval, equipment and supply inventories, cash receipts, petty cash and change funds, billing and accounts receivable.

C. Information Technology Controls

Information Technology controls are specific activities performed by persons or systems designed to ensure that business objectives are met. They are a subset of the University's internal control system and relate to the security, confidentiality,processing integrity and availability of data and the overall management of the IT function. The University's administration will determine dependency between the use of technology in business processes and technology general controls and establish relevant control activities over technology infrastructure, security management, and the acquisition, development, and maintenance of technology.

There are generally two categories of IT controls that should be closely monitored:

1. IT General Controls – Controls related to: (a) Security, to ensure access to systems and data is restricted to authorized personnel, such as usageof passwords and review of access logs; (b) Change Management, to ensure program code is properly controlled, such as separation of production and test environments, system and user testing of changes prior to acceptance, and controls over migration of code into production; (c) Availability, to ensure that systems are available for use, such as maintenance of backup logs; and d) Confidentiality, to ensure that sensitive information is stored correctly, such as encryption of personallyidentifiable data.
2. IT Application Controls – Controls over information processing enforced by IT applications, such as edit checks to validate data

entry, accountingfor transactions in numerical sequences.

D. Evaluation of Internal Control Concerns

It is the University's policy to maintain at all times an adequate system of internalcontrols. Every employee of the University who engages in financial, business, and management activities has a responsibility to adhere to the internal controls established for such activities and to report to the Controller's Office any reportable condition or material weakness in internal controls.

Employees must have a means of communicating significant information to the University's administration and understand their own roles in the internal control system, as well as how individual activities relate to the work of others. To this end, whenever a new budgetary unit, research project, etc. is set up, the Controller's Office and/or Office of Research and Sponsored Programs will provide notification to the appropriate parties of the responsibilities incumbent on them for best business practices and sound financial management, including reference to the principles within this Policy.

The University must communicate effectively with external parties, such as students, parents, funding providers, contractors, suppliers, regulators, and otherstakeholders. All personnel must receive a clear message from the University's administration that control responsibilities are to be taken seriously. Failure to comply with established practices will subject individuals to the terms of disciplinary action or dismissal. The Senior Vice Chancellor of Business and Financial Affairs, in consultation with Human Resources and Inclusive Community, General Counsel, Internal Audit, andthe Controller's Office, has the authority to evaluate such concerns.

All campus systems, processes, operations, functions, and activities are subject to evaluations of internal control systems. The results of these evaluations provide information regarding the University's overall system of control and will be communicated promptly to the units involved as well as the Board of Trustees.

Revision Effective Date	Purpose
9/28/2020	*Policy Adopted and Approved*
6/28/2021	*Minor Revisions*
11/10/2021	*Minor Revisions*
8/1/2026	