

**Financial Policy & Procedure Instructions Manual**  
**FPI J-1 Internal Control and the role & responsibility of Business Officers**

**I. Purpose**

This financial policy and procedure instruction is intended to communicate the expectations and code of ethics for Business Officers.

**II. Expectations of College, Division Vice President, and Athletics Business Officers.**

Business officers are granted delegated authority from the VPAS Departments (University Controller, Budget Director, Purchasing Director, Human Resources Director) to carry out College or Division objectives. This grant of authority obligates the Dean or VP to empower a business officer with the duty to:

1. Maintain an adequate system of internal controls
2. Manage College and Division activities within University policies
3. Lead their management group to have a free flow of financial information within their unit and to senior management
4. Initiate discussions and disclosures of any reportable conditions, material weaknesses in internal controls and suspected fraud
5. Assess and recommend for selection those assigned with approval authority within their unit, as well as communicating when personnel change or who no longer usefully serve as an approval authority.
6. Conduct an effective internal review of financial transactions and summary financial information, including, but not limited to: (a) periodic budget to actual analysis of all financial activity under management responsibility, on at least quarterly basis; (b) prior year to current year analysis of all financial activity under management responsibility; and (c) management escalation of significant variances and explanations to include notification to applicable University officers.

**III. Code of Ethics for College, Division Vice President, and Athletics Business Officers.**

Business Officers will comply with the Financial Executives International (FEI) Code of Ethics.

The mission of Financial Executives International (FEI) includes significant efforts to promote ethical conduct in the practice of financial management throughout the world. Senior financial officers hold an important and elevated role in corporate governance. While members of the management team, they are uniquely capable and empowered to ensure that all stakeholders' interests are appropriately balanced, protected, and preserved. This code provides principles that members are expected to adhere to and advocate. They embody rules regarding individual and peer responsibilities, as well as responsibilities to employers, the public, and other stakeholders. All members of FEI will:

1. Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
2. Provide constituents with information that is accurate, complete, objective, relevant, timely, and understandable.
3. Comply with rules and regulations of federal, state, provincial, and local governments, and other appropriate private and public regulatory agencies.
4. Act in good faith; responsibly; and with due care, competence, and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
5. Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.
6. Share knowledge and maintain skills important and relevant to constituents' needs.
7. Proactively promote ethical behavior as a responsible partner among peers, in the work environment, and in the community.
8. Achieve responsible use of and control over all assets and resources employed or entrusted.

**IV. Definitions and Concepts:**

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**Adequate System of Internal Controls:** A management system that reduces exposure to business, financial, and accounting risks, with the following elements.

**(a) Authorization, Approval, and Accountability:** Transactions are authorized by a person with delegated approval authority, with sufficient explanations and documentation to support post-authorization review and audit; unauthorized transactions are identified and central departments are informed if a loss of University assets or any material irregularity occurs;

**(b) Documentation of and Adherence to Policies, Procedures, and the terms and conditions of gifts, grants, and contracts:** University, department, and sponsor policies, procedures and restrictions are formalized and communicated to employees. Documentation and accessibility helps provide day to day guidance to staff and will promote continuity of activities in the event of prolonged employee absences or turnover. Adherence requires active promotion by management and empowerment of staff to escalate issues of non-compliance.

**(c) Physical Security:** Equipment, inventories, cash, and other property are secured physically, counted periodically, and compared with amounts shown on control records; provide safeguards to protect against the loss or unauthorized use of University assets, including data;

**(d) Proper Management of Costs and Expenses:** Costs and expenses are monitored and controlled. Comparisons of actual expenses to budgeted amounts are performed on a regular basis, and all significant variances are researched;

**(e) Review and Reconciliation:** Routine examination and reconciliation of transaction records to official University records is required to verify the accuracy of the records, the appropriateness of the transactions, and their compliance with policy.

**(f) Separation of Duties and Monitoring:** Financial responsibilities are divided between different people to assure a single person does not perform every aspect of a financial transaction. Segregating responsibilities can reduce errors and prevent or detect inappropriate transactions. Based upon the level of separation of duties, management has the responsibility to monitor financial transactions and balances;

**(g) Training and Supervision:** Employees receive appropriate training and guidance to ensure they have the knowledge necessary to carry out their job duties. Employees are provided with an appropriate level of direction and supervision and are aware of the proper channels for reporting suspected improprieties.

**Fraud:** This term includes (a) Misstatements arising from fraudulent financial reporting that are intentional misstatements, or omissions of amounts or communications to deceive users of financial information; and (b) misstatements arising from misappropriation of assets

**Reportable Condition:** A significant deficiency in the design or operation of internal controls that could adversely affect the departments' ability to initiate, record, process, and report financial data consistent with the University's policies, procedures, and practices.

**Material Weakness in Internal Control:** A reportable condition for which the design or operation of internal control components can not be relied on to detect errors within a timely period by employees in the normal course of performing their assigned functions.

#### V. Annual Attestation Statement.

To support institutional officers in their responsibility to make University-wide attestations, an annual attestation statement of College, Division VP, and Athletics Business Officers and their respective Dean, VP, and Athletics Director will be required after on July 31 for the prior fiscal year. The form and content of this attestation follows.

#### Business Officer Attestation

We confirm that we are responsible for the fair presentation of financial information under our management responsibility that is recorded in the financial systems of the University, in

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conformity with University financial policies, accounting principles, and sponsor/donor stipulations and restrictions. We recognize that, as key resource managers in a decentralized structure, we must provide a fair and complete disclosure of financial information to University officers so that they can make similar attestations for the University, relying on our work.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations:

1. The financial records under our management responsibility are fairly presented in conformity with University financial policies, accounting principles, and sponsor/donor agreements.
2. Except as disclosed to you in previous writing or in this attachment, there have been no:
  - a. Communications from sponsors, donors, and regulatory agencies concerning issues of noncompliance, instances of fraud, management of institutional resources, or reporting of financial information, whether or not material, involving management or other employees who have significant roles in internal controls.
  - b. Violations or possible violations of laws or regulations, the effects of which should be evaluated by University Officers to record or report a loss contingency.
  - c. False statements affecting the University's financial statements made to University officers or their staff, the CSUS System's internal auditors, or any other auditor.
  - d. Allegations, either written or oral, of misstatements or other misapplications of accounting principles in the University's financial records.
  - e. Material transactions that have not been properly recorded in the accounting records underlying the basic financial statements.
  - f. Events that have occurred subsequent to June 30, \_\_\_\_ that would require adjustments to or disclosure in the University's financial statements.
3. There are no significant deficiencies in the design or operation of internal controls which could adversely our ability to record, process, summarize and report financial data, and we have identified no material weaknesses in internal controls.
4. We are responsible for the identification of and compliance with all aspects of University policies, sponsor and donor restrictions that could have a material effect on the financial records under our management responsibility and have disclosed all aspects of sponsor and donor restrictions to the appropriate University office.

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5. Except as disclosed to you in previous writing or in this attachment, we have complied, in all material respects, with applicable University policies, sponsor and donor restrictions that could have a material effect on the financial records under our management responsibility in the event of noncompliance.
6. We have provided complete information on all proposed gifting transactions to enable University offices to identify and properly account for all nonexchange transactions.
7. The financial records under our management responsibility properly classify all activities. Expenditures have been charged to the account which benefits from the expense and with the subcode that most accurately describes the nature of the expense. Where an account has insufficient spending authority, either cash or budget, available resources have been reallocated from other accounts and recorded in the financial records.
8. We have complied with all applicable University policies in adopting, approving and amending budgets.
9. The accounts receivables reported under our management responsibility in the University financial records represent valid claims arising on or before the balance-sheet date and we have fully disclosed to the appropriate University office all information to enable timely collection or write-off of receivables.
10. We confirm that in making these representations, we have an effective financial oversight process including, but not limited to: (a) periodic budget to actual analysis of all financial activity under our management responsibility, on at least quarterly basis; (b) prior year to current year analysis of all financial activity under our management responsibility; and (c) management escalation of significant variances and explanations to include notification to applicable University officers.

Very truly yours,

Colorado State University [College or VP unit] of \_\_\_\_\_

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Dr. \_\_\_\_\_  
[Dean or VP, of \_\_\_\_\_]  
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Business Officer, [College or VP unit] of \_\_\_\_\_