![FAMU Florida Agricultural and Mechanical University logo]	**Board of Trustees Policy**

BOT Policy No.: BOTP-2019-01	**BOT Policy Name:** Internal Controls and Enterprise Risk Management
Initial Adoption Date: 12-05-2019	**Revision Date(s):** 06-02-2022; 12-05-2024
Responsible Unit: Finance and Administration; Division of Audit, Office of Enterprise Risk Management	**Responsible Executive:** Vice President, Division of Audit
Authority	Division of Audit, Office of Enterprise Risk Management
Applicability	This Policy applies to all University units and employees.

I. **Policy Statement and Purpose**

    A. The Florida Agricultural and Mechanical University (FAMU) Board of Trustees (BOT) is committed to a sound system of internal controls focused on accountability and oversight of operations. The FAMU 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 the impact of unforeseen circumstances.

    C. ERM at FAMU is designed to systematically identify, assess, and manage risks that could impact the University's strategic objectives. By embedding ERM into the University's governance and decision-making processes, FAMU aims to enhance its resilience, optimize resource allocation, and capitalize on opportunities. The ERM framework ensures that risks are managed within the University's risk appetite, enabling informed decision-making that aligns with FAMU's mission and values.

II. **Definitions**

    A. 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. Enterprise risk management is designed to identify potential events that may affect the

entity, manage risk to be within the entity's risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

B. **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.

C. **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.

D. **Risk** means the possibility or uncertainty of an event occurring that will impact the achievement of objectives, positive or negative. The effect could be a detriment or an opportunity related to the objective. Risk is measured in terms of impact and likelihood.

E. **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 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.

6. **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.

7. **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.

8. **Compliance Objectives –** pertain to adherence to laws and regulations to which the University is subject.

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, at a minimum, 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. **Internal Controls Roles and Responsibilities**

A. **Board of Trustees:**

1. **Oversight:** Provide strategic oversight of the University's internal control system.

2. **Accountability:** Set expectations for integrity, transparency, and accountability in the performance of internal control responsibilities.

3. **Review:** Regularly review reports on internal controls and ensure that management is addressing any identified weaknesses.

B. **President and Chief Operating Officer:**

1. **Leadership:** Lead the internal control efforts across the University, ensuring a culture of accountability and compliance.

2. **Assessment:** Annually assess the overall effectiveness of the University's internal controls and report findings to the Board of Trustees.

3. **Policy Development:** Develop and update internal control policies and procedures as needed.

C. **Senior Management (Vice Presidents, Deans):**

1. **Governance:** Establish and maintain an effective system of internal controls for their respective divisions.

2. **Assessment:** Regularly assess the effectiveness of internal controls and ensure corrective actions are taken when necessary.

3. **Resource Allocation:** Ensure that sufficient resources are allocated to maintain robust internal control systems.

4. **Reporting:** Provide regular reports on internal control status to the President and the Board of Trustees.

D. **Department Heads/Directors:**

1. **Oversight:** Supervise the implementation of internal controls across their departments.

2. **Evaluation:** Conduct periodic evaluations of the control environment and make improvements as needed.

3. **Coordination:** Work with other departments to ensure a consistent approach to internal controls.

4. **Reporting:** Report significant control issues or deficiencies to senior management.

E. **Supervisors/Managers:**

1. **Implementation:** Ensure that staff understand and follow internal control procedures.

2. **Monitoring:** Regularly review operations to ensure compliance with internal controls.

3. **Risk Mitigation:** Identify potential risks within their area and implement control measures to mitigate these risks.

4. **Training:** Provide ongoing training and guidance to staff on internal control practices.

F. **Faculty/Staff:**

1. **Adherence:** Follow established internal control procedures in daily operations.

2. **Reporting:** Immediately report any irregularities or potential control issues to supervisors.

3. **Documentation:** Maintain accurate records and ensure all transactions are documented in accordance with University policies.

V. **Components of Enterprise Risk Management Program**

A. A robust Enterprise Risk Management (ERM) Program is essential for identifying, assessing, and managing risks that could impact the University's objectives. The following components form the foundation of an effective ERM Program:

1. **Risk Governance and Culture:** Establish governance structures that define roles, responsibilities, and accountability for risk management. Foster a risk-aware culture where employees at all levels understand and engage with risk management practices.

2. **Risk Identification:** Implement processes to identify risks across all areas of the University, including strategic, operational, financial, and compliance risks. Use tools such as risk assessments, audits, and workshops to identify potential events that could impact the University.

3. **Risk Assessment:** Evaluate the identified risks in terms of likelihood and impact. Prioritize risks based on their potential to affect the University's objectives, focusing on those that could have the most significant impact.

4. **Risk Response:** Develop and implement strategies to manage identified risks. This includes avoiding, accepting, reducing, or sharing risks. Align risk responses with the University's risk appetite and strategic objectives.

5. **Risk Monitoring and Reporting:** Continuously monitor the risk environment and the effectiveness of risk management strategies. Regularly report on the status of key risks to senior management and the Board of Trustees. Use Key Risk Indicators (KRIs) to provide early warnings of potential issues.

6. **Information and Communication:** Ensure that relevant risk information is communicated effectively across the University. Establish clear channels for reporting risks and ensure that critical information reaches decision-makers in a timely manner.

7. **Integration with Strategy and Performance:** Integrate ERM with the University's strategic planning processes to ensure that risk management supports the achievement of objectives. Align risk management activities with performance management to create a comprehensive approach to achieving University goals.

8. **Continuous Improvement:** Regularly review and improve the ERM framework to adapt to changes in the University's internal and external environment. Learn from past experiences and incorporate best practices to enhance the effectiveness of the ERM Program.

VI. ERM Roles and Responsibilities

A. Board of Trustees:

1. **Strategic Oversight:** Provide oversight and guidance on the University's ERM framework and ensure alignment with strategic goals.

2. **Risk Philosophy:** Work with management to establish and periodically review the University's risk appetite and philosophy.

3. **Review and Approve:** Review and approve the University's risk management strategies and annual risk appetite statement.

4. **Engagement:** Engage in discussions with management on key risks and their potential impact on the University's objectives.

B. President and Chief Operating Officer:

1. **ERM Leadership:** Lead and support the University's ERM efforts, fostering a risk-aware culture.

2. **Strategic Oversight:** Ensure that ERM is integrated into the University's strategic objectives and operations.

3. **Policy Approval:** Approve risk management policies and strategies developed by the Chief Risk Officer and other senior leaders.

4. **Reporting:** Provide the Board of Trustees with regular updates on the University's risk profile and management activities.

C. **Chief Risk Officer:**

1. **ERM Framework:** Design and implement the ERM framework in alignment with COSO's guidelines.

2. **Training:** Develop and facilitate risk management training for all University staff and faculty.

3. **Risk Reporting:** Prepare and present regular risk reports to senior management and the Board of Trustees.

4. **Advisory Role:** Provide expert advice to the President and senior management on risk management strategies.

D. **Senior Management (Vice Presidents, Deans):**

1. **Risk Leadership:** Lead the ERM program within their divisions, ensuring that risks are managed effectively.

2. **Strategic Risk Assessment:** Integrate risk management into strategic planning and decision-making processes.

3. **Resource Allocation:** Ensure adequate resources are allocated for managing risks within their divisions.

4. **Reporting:** Regularly report on significant risks and their management to the President and the Board of Trustees.

E. **Department Heads/Directors:**

1. **Risk Management:** Lead the risk management efforts within their departments by identifying, assessing, and mitigating risks.

2. **Risk Reporting:** Provide regular updates to senior management on the status of risks and mitigation efforts.

3. **Collaboration:** Work with other departments to address cross-functional risks.

F. **Supervisors/Managers:**

1. **Risk Identification:** Identify risks within their area and escalate significant risks to higher management.

2. **Mitigation Plans:** Develop and implement risk mitigation strategies in coordination with department heads.

3. **Communication:** Ensure that staff are aware of relevant risks and the measures in place to address them.

G. **Faculty/Staff:**

1. **Awareness:** Understand the risks relevant to their roles and report any emerging risks to supervisors.

2. **Compliance:** Adhere to risk management policies and participate in risk mitigation activities as directed.

VII. Administrative Procedures

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

Attachment(s)	
Related Resource(s)	https://www.famu.edu/about-famu/policies-and-regulations/bot/pdf-policies/FAMU_Fraud_Policy_Update_2022_APPROVED_UPDATE.pdf