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Internal Control Framework
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I. Definition of Internal Control

Internal control is a process effected by a University’s board of trustees, administration, faculty and staff designed to provide reasonable assurance of effectively and efficiently meeting various operational, financial and compliance objectives.

All levels of management at Yale (trustees, officers, central administration, departments) are responsible for establishing internal control processes to keep the University on course toward its financial goals, to help it achieve its mission, to minimize risk, and to more effectively deal with change.

II. Components of Internal Control

Control Environment – The control environment sets the tone for an organization. It provides discipline and structure and strongly influences the control consciousness of the people within the organization. The control environment at Yale begins with the administration's philosophy and operating style as well as the priorities and direction provided by the Corporation. Within Yale departments, key factors in the control environment include the integrity, ethical values and competence of the personnel.

Risk Assessment - Risk assessment is the identification and analysis of relevant risks which may prevent a department from meeting its operational, financial and compliance objectives. Business managers at Yale should assess risk based on the types of activities performed, organizational structure, staffing levels and attitudes within the department.

Control Activities - Control activities are the policies and procedures established to ensure that management’s directives are implemented. Yale business managers must be cognizant of University policies and procedures and supplement these procedures with department level guidance when necessary.

Information and Communication – Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Yale business managers need solid lines of communication between the department and central functions as well as between department management and staff.

Monitoring – Monitoring is a process that assesses the quality of the internal control system over time. Business managers are responsible for monitoring the activities performed within the department.

III. Internal Control Objectives

Management must establish internal control objectives in order to effectively assess areas of potential risk. The following key internal control objectives apply to University business managers:

- Accuracy of financial statements
- Validity of transactions
Timeliness and completeness in processing transactions  
Compliance with applicable regulations and University policy

IV. Internal Control Activities

The following internal control activities are tools used in accomplishing these objectives:

*Establishing a Control Conscious Environment* – Setting the tone at the top within the department is essential in developing sound internal control. Ensuring that Yale staff are properly trained, are knowledgeable of University policies and procedures, and receive feedback on a regular basis are key factors to a good control conscious environment.

*Segregation of Duties* - The separation of certain functions such as initiating, authorizing, recording and reconciling transactions is an important control activity. The amount of segregation possible within a department depends on the size and structure of the department. However, every effort should be made by Yale business managers to ensure that one person does not have control over all parts of a transaction.

*Authorization/Approval Processes* – Approving and Authorizing responsibilities within Yale departments should be limited to as few people as possible. Any delegated authority should be clearly documented and passwords must be kept confidential. Also, supportive documentation should be reviewed for validity, completeness and accuracy.

*Physical Control of Assets* – Yale business managers are responsible for the physical control of assets within the department. Safeguards should be implemented to ensure proper accountability of assets.

*Monitoring* - Monitoring activities by Yale business managers would include such things as monthly financial statement review, departmental feedback sessions, internal evaluations (i.e. self-assessment), etc.

**Internal Control Self-Assessment**

The [Internal Control Self-Assessment Questionnaire](mailto:ga.usersupport@yale.edu) is designed to assist department administrators in assessing the degree of internal control within departments. Departments should use this document as a tool in identifying control strengths and weaknesses in the following areas:

- Control environment
- Payroll transactions
- Procurement
- Receipts
- Student charges
- Cost transfers

The self-assessment questionnaire includes policy and procedure references for your convenience.
Internal Control Guides

The Internal Control Guides are intended to provide additional information for each cycle included in the questionnaire. The guides identify areas of risk, specific control objectives and activities as well as reference information.

The official version of this information will only be maintained in an on-line web format. Any and all printed copies of this material are dated as of the print date. Please make certain to review the material on-line prior to placing reliance on a dated printed version.