

Veterans Research Foundation of Pittsburgh

APPROVAL DATE: 7-18-14

TITLE: Internal Controls Policy

1.0 PURPOSE

Internal control is a process effectuated by the Veterans Research Foundation of Pittsburgh (VRFP) Board of Directors, management and other personnel designed to provide reasonable assurance regarding the achievement of the entity's objectives. This policy will outline policy and procedures for Internal Controls within VRFP.

2.0 Revision History

Date	Revision #	Change	Reference Section(s)
April 25, 2014	1.0	New policy	

3.0 Scope

This policy applies to all employees of VRFP.

4.0 Policy

4.1 It is vital that assets are safeguarded. Good internal controls should provide assurance that the assets are safeguarded from:

- a) Ineffective or inefficient use, such as personal use or for a side business.
- b) Unauthorized acquisition, use, disposal, theft, or illegal use.

4.2 Two key elements of internal controls are Financial Controls and Non-Financial Controls.

4.3 Components of internal controls include:

- a) Control Environment – Which relates to the control consciousness of the people within the organization. The control environment is the basis for all other components of internal control. A highly ethical tone at the top is essential to all other internal controls.
- b) Risk Assessment – Refers to the organization's identification, analysis, and management of the risks that are related to financial statement preparation, in order to ensure that financial statements are presented fairly and in compliance with generally accepted accounting principles.
- c) Control Activities – Are the organization's policies and procedures which help ensure that necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives.
- d) Information and Communication – Focuses on the nature and quality of information needed for effective control, the systems used to develop such information, and reports necessary to communicate it effectively.
- d) Monitoring – Involves assessing the quality and effectiveness of the organizations internal control process over time. It includes assessing the design and operation of controls, and assessing compliance with policies and procedures. It also provides for the implementation of appropriate actions

wherever necessary. Auditing is an important monitoring activity.

4.4 Four types of internal controls:

- a) Preventive - Designed to prevent errors, inefficiencies, noncompliance, or illegal acts from being committed before-the-fact
- b) Detective - Designed to detect errors, frauds, inefficiencies, noncompliance, or illegal acts after-the- fact while allowing for corrective action in a timely manner, such as, monthly bank reconciliations or quarterly financial statement reviews.
- c) Directive - processes that are necessary for good management, such as employee incentive programs, training, and providing written policies and procedures.
- e) Mitigating (Compensating) - Controls that compensate for the lack of an expected control and lessen the severity of a weakness in controls, such as, independent review of cancelled checks instead of having two check signers.

4.5 Segregation of Duties - It is vital that financial duties be separated as much as possible.

4.6 An appropriate official of VRFP must approve all expenditures. That official may be the Executive Director or another person designated by the Executive Director or the VRFP Board.

5.0 PROCEDURE

5.1 All new NPC Board members, including Statutory VA Directors, and all new Executive Directors, officers and key employees must take internal controls training within 90 days of assuming the role. Approved training is available on the VA Talent Management System (TMS) website or via an Internal Controls Training DVD available through the Non Profit Program office (NPPO). Proof of completion of training must be provided by individuals to the VRFP. The Human Resources Assistant is responsible for retaining the training certificate in the employee's personnel file. The Executive Director must certify compliance in the annual report to the Secretary of Veterans Affairs.

5.2 VRFP internal control policies will be made available throughout the organization on our website and on a shared computer drive.

6.0 Responsibilities

6.1 Board of Directors- Responsible for the review and approval of this policy.

6.2 Executive Director- Responsible for ensuring employee compliance with this policy, and certifying compliance in the annual report to the Secretary of Veterans Affairs.

6.3 Employees- Responsible for completing mandatory training.

6.4 Human Resource Administrative Assistant- Responsible for maintaining training certificates within the employee's personnel file.