

# **The Ledger**

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## **Financial and Business Management Compliance Program**

Below is the memo sent to deans, directors and department heads about the new Financial and Business Management Compliance Program. It explains the internal control self-assessment and certification survey that will be sent directly to department heads or unit directors for completion. An email with an individualized link to the survey will be sent to each department head or unit director. Since the Ledger newsletter mailing list contains primarily the fiscal faculty and staff in these departments, we wanted to take this opportunity to make you aware of the process and let you know that the department head must forward you the email with the link to the survey if they wish you to assist in completing the survey. The email with the link includes more information about the process of completing the survey and the certification. All department heads and unit directors and their key fiscal staff are required to complete the survey and sign the certification. If a given department head has responsibility for more than one individual department or organization unit, the survey and certification will cover all such areas.

The certification process will have several stages. The first stage is the certification for departmental or organization level business processes. The results of these individual departmental or organizational level certifications will be summarized and the summarized results will then be used as the basis for senior management to certify the results for their entire respective college or vice presidential area.

We will be sending the emails with the individual links later this week and appreciate your assistance with this process.

### **Memorandum**

**DATE:** March 14, 2007

**To:** Vice Presidents, Vice Provosts, Deans, Directors, and Department Heads

**FROM:** M. Dwight Shelton, Jr.

**SUBJECT:** Financial and Business Management Compliance Program

I am writing to share with you important information about a business practices program the University has developed for implementation in this fiscal year. The University

administration and the Board of Visitors place a high value on the integrity, effectiveness, and efficiency of the organization, particularly as embodied in the stewardship role of University and college department heads, directors, and administrators. These principles and system of values related to conducting business activities are contained in university policies and procedures and are communicated to all faculty and staff in the Statement of Business Conduct Standards. In addition, the Department Business Management Guide provides a comprehensive summary of the University's expectations and requirements for department heads, directors and other university and college administrators with management and fiscal responsibilities.

As a mechanism to further enhance and strengthen the University's business practices and internal controls, the Board of Visitors has requested that we implement an annual certification process for department heads, directors, and other university and college administrators. The annual certification process does not require additional control processes to be established. It will only require individuals in the key roles listed above to reaffirm and acknowledge their existing responsibility for establishing and maintaining effective business practices and internal controls. This process will also support the new certifications mandated for all state agencies and institutions of higher education in the State Comptroller's Agency Risk Management and Internal Control Standards (ARMICS) directive, which was issued earlier this fiscal year. These expanded internal control assessments reflect the increasing levels of accountability expected by the public for both private and public sector entities.

In response to the Board of Visitors' direction, a management team has worked over the past three months to establish a process to conduct this control evaluation and certification process in an efficient and effective manner, while minimizing the time requirements for departments throughout the university. The team has recently conducted a pilot program for the certification process with 32 departments in various academic and administrative units. The results of the pilot program were positive, and the team has incorporated feedback from the pilot program into the certification process. As a result, the certification program will now be distributed to the entire campus in mid-March, with a goal of completing the certification process by April 9, 2007.

While Internal Audit, the Auditor of Public Accounts, and other external auditors regularly monitor and evaluate internal controls and report their findings to the Board of Visitors, it is the responsibility of the department heads and other university administrators to establish effective business practices and internal controls for their areas of responsibility. To assist the departments in evaluating their business practices and internal controls, the University has modified the former Internal Control Survey, previously issued by the Controller's Office, to create an electronic self-assessment tool. This tool is designed to identify areas that have adequate controls as well as highlight areas where changes in operating practices can improve the University's overall internal control structure. The results of this tool will provide a basis for the departmental certification, and therefore completion of the self assessment is required before certification by the department head and staff. Data provided in your responses to the self assessment will be used to support certifications of the University's control environment to the state and to identify university-wide training needs.

Department heads and other operating unit managers will receive from the University Controller the self-assessment tool, certification form, and instructions for completing the process. The self-assessment tool is split into components, and departments head may

delegate all or portions of the self-assessment to key fiscal staff to complete. It is the department head's responsibility to ensure the self-assessment is completed with due diligence and to review the results prior to the certification.

I recognize that this assessment and certification process represents a request for additional work at the departmental level, and I want to thank you for your assistance in conducting this important program for the University. Fortunately, the results of the pilot program indicate that the time requirements are typically only a few hours, and several staff members reported that the assessment tool was helpful for them in assessing the critical control elements of their jobs.

Open informational sessions about this survey tool and process will be held for you and your staff at The Inn at Virginia Tech at the following times:

Thursday, March 15, 2007; 1:00 p.m.; Smithfield Room  
Thursday, March 15, 2007; 2:00 p.m.; Smithfield Room  
Monday, March 19, 2007; 9:00 a.m.; Drillfield Room  
Monday, March 19, 2007; 10:00 a.m.; Drillfield Room  
Tuesday, March 20, 2007; 9:00 a.m.; Drillfield Room  
Tuesday, March 20, 2007; 10:00 a.m.; Drillfield Room  
Tuesday, March 20, 2007; 2:00 p.m.; Drillfield Room  
Tuesday, March 20, 2007; 3:00 p.m.; Drillfield Room

Assistance will also be available through the Controller's Office if you have questions or concerns regarding the process.