

 <p style="text-align: center;">KENTUCKY CORRECTIONS Policies and Procedures</p>	Policy Number	Total Pages
	Date Filed	Effective Date
Authority/References	Subject	
ACA 2-CO-1B-05 KRS 43.050, 45.453	INTERNAL CONTROLS	
	2.13	5
	*	July 11, 2014

I. DEFINITIONS

"Fiscal Manager" or "Fiscal Officer" means the person responsible for monitoring and reconciling the activity in an account(s). A Fiscal Manager or Officer shall usually have the eMARS responsibility of "final approval" for documents created in his institution.

"Personal Financial Information" means any record containing nonpublic personal information about an internal staff member, vendor, or customer, whether in paper, electronic, or another form, that is handled or maintained by or on behalf of the institution or its affiliates. Nonpublic personal information is "personally identifiable financial information; and any list, description, or other grouping of consumers (and publicly available information pertaining to him that is derived using any personally identifiable financial information that is not publicly available.")

"Information Security Program" means the administrative, technical, or physical safeguards used to access, collect, distribute process, protect, store, use, transmit, dispose of, or otherwise handle customer information.

"Service Provider" means any person or entity that receives, maintains, processes, or otherwise is permitted access to customer information through its direct provision of services.

II. POLICY and PROCEDURES

This policy describes the general procedures for establishing and maintaining internal controls for the Department of Corrections entities.

- A. Internal controls include organizational plans and procedures which are designed to:
1. Safeguard assets
 2. Verify the accuracy and reliability of accounting data and other management information

Policy Number	Effective Date	Page
2.13	July 11, 2014	2

3. Promote operational efficiency
 4. Ensure adherence to prescribed policies and compliance with federal and state regulations.
- B. Institution division and program managers are responsible for conducting their business activities in a manner consistent with good internal control. Individuals responsible for administering Department of Correction funds are expected to:
1. Ensure that Department, Institution, Division, and Sponsor policies and procedures are available to and understood by those carrying out financial transactions
 2. Comply with DOC, Federal, State, Sponsor, and Donor terms, conditions and restrictions on the use of funds
 3. Grant or delegate financial authority carefully, with consideration for proper segregation of duties
 4. Ensure that appropriate reviews and monitoring take place, including a monthly review of transactions for reasonableness and necessity, and conduct a periodic review of operating reports and performance indicators
 5. Explain to individuals that they shall be accountable for their actions if viewing institutional records or processing transactions
 6. Communicate financial information properly and in a timely manner, and grant access to financial information only for appropriate business uses
Protect assets, including data, equipment, supplies, inventory, and cash from unauthorized access or theft
 7. Set a tone within the organization for ethical conduct and integrity
- C. The Director of Administrative Services is responsible for the promulgation of policies and procedures directed toward the establishment of good internal control.
- D. Responsibility to Safeguard Assets
1. Assets include all property of the Department of Corrections. Examples of assets are buildings, equipment, inventory, accounts receivable, and cash (including checks).
 2. Extreme care shall be exercised in safeguarding cash and items easily convertible to cash, as accounts receivable. Appropriate physical

Policy Number	Effective Date	Page
2.13	July 11, 2014	3

safeguards shall be employed to protect all assets. Cash shall be secured in a locked area (an appropriate safe is strongly recommended). All institutional checks, including inmate accounts and the inmate canteen funds require at least two (2) signatures.

3. Appropriate procedural safeguards shall be in place to protect cash and cash convertible items. The employee who receives and deposits payments on accounts shall not also have the responsibility of recording payments in the accounts receivable records.
4. Any observed weaknesses in internal control shall be brought to the attention of the Director of Administrative Services immediately.

E. Responsibility to Verify the Accuracy and Reliability of Financial Data

1. The state's electronic Management Accounting Recording System (eMARS) maintains a comprehensive record of all financial transactions excluding inmate accounts and the inmate canteen. Access to information about the status of individual accounts, contracts, and transactions is available through queries, pre-defined reports and custom reports.
2. It is the responsibility of fiscal staff to process all transactions in a timely manner and to verify, promptly, the accuracy of all transactions posted to their accounts. This requires constant review and approval of all transactions recorded in a given account. Any errors shall be reported immediately to the originator or to the Central Office Budget Analyst responsible for the applicable Appropriation concerned.
3. The reliability of information retrieved from the financial modules of eMARS is dependent on the timely recording of all transactions. Vouchers, travel expense reimbursement vouchers, billings of support service units shall be immediately entered into eMARS or forwarded promptly to the appropriate analyst at the Central Office for processing.
4. All valid invoices shall be paid within thirty (30) days of receipt pursuant to KRS 45.453.
5. The Administrative Services staff shall review accounts on a random basis and seek resolution of any questionable transactions or balances.

F. Responsibility to Safeguard Personal Financial Information

All DOC business offices and staff are responsible for:

1. ensuring the security and confidentiality of personal financial information;

Policy Number	Effective Date	Page
2.13	July 11, 2014	4

2. protecting against any anticipated threats to the security or integrity of the information; and
3. guarding against the unauthorized access to or use of the information that may result in substantial harm or inconvenience to any DOC staff.

G. Responsibility to Reconcile Accounts Periodically

1. Fiscal Managers are responsible for ensuring each assigned account is reviewed and reconciled to departmental records on a monthly basis, and that all transactions placed in suspense are also resolved weekly. Departments are responsible for maintaining source documentation for all transactions in accordance with established records retention and distribution schedules. Departments are also responsible for providing source documentation, in a timely manner, at the request of a central office financial office or an internal or external audit.
2. Fiscal Managers are expected to be familiar with financial policies and procedures and serve as the primary resource for inquiries concerning accounts under their responsibility.

H. Responsibility to Promote Operational Efficiency Through Organization and Training

1. DOC is committed to achieving a high level of efficiency and effectiveness in the use of personnel and other resources.
2. The achievement of an acceptable level of operational efficiency is dependent on a proper organizational plan and sufficient training of employees.
3. Organizational plans shall be designed to segregate duties so that no one employee controls all phases of a transaction.
4. New employees shall be trained adequately for their responsibilities to ensure efficiency and accuracy.
5. Administrative Services is responsible for the development and delivery of broad training programs and for specific training in eMARS responsibilities. Specific job training and assignment of job responsibilities are the responsibility of the institution or division head.

I. Adherence to DOC Policies and Procedures

Policy Number	Effective Date	Page
2.13	July 11, 2014	5

1. DOC's policies and procedures are a primary means of establishing internal controls. In addition to conforming to certain State and Federal regulations, these controls allow the Department to fulfill the dictates of prudent management. All individuals who deal with financial and administrative matters shall be familiar with and adhere to these policies and procedures.
2. Failure to adhere to the Department's policies and procedures may be considered misconduct.

J. Monitoring of Internal Controls by the Audit Department

1. Pursuant to KRS 43.050 the Auditor of Public Accounts conducts an annual audit of all state agencies, including the Department of Corrections.
2. The appropriate department or institution leader shall make a written response to any findings of inadequate internal controls and take prompt corrective action as recommended.