



FINANCIAL POLICIES

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Greenville Water CEO:
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GREENVILLE WATER

POLICY NO. FIN-8

DATE: 07/07/2015

SUBJECT: Internal Control Policy

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I. Objective and Scope

The purpose of this policy is to communicate the internal control objectives of Greenville Water.

Greenville Water management has the responsibility to establish and maintain an adequate system of internal controls and to furnish to the Commissioners, regulatory agencies, Greenville Water creditors and other constituencies reliable financial information on a timely basis. An adequate system of internal control is necessary for management to discharge these responsibilities.

Controls ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultant financial information is reliable. External organizations and stakeholders of Greenville Water rely on financial information to make decisions regarding credit, debt, grants, and other contractual relationships. Greenville Water resources are dependent upon the system of internal control. Auditors are required annually to report upon the adequacy of the systems for control over financial reporting and compliance. The safeguarding of Greenville Water assets and the reliability which the Commissioners and others can place upon its financial records is dependent upon the effectiveness of the internal control process.

The Commissioners expect Greenville Water management to effect an internal control environment with policies and procedures necessary to provide reasonable assurance that practices cause effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The system of internal control is meant to keep Greenville Water on course toward its mission and to minimize surprises. The system promotes efficiency, minimizes risks of asset loss, helps ensure the reliability of financial information, and compliance with applicable laws, rules, and regulations.

II. Definitions

1. Internal control is a process; a means to an end, and not an end unto itself.
2. The control environment is the foundation upon which all components of internal control are based. It sets the tone for Greenville Water operations.
3. Internal control is about people, operations, communications, and the work environment. It takes shape through the implementation of relevant policies, procedures, and practices.

III. Policy

A. Responsibility

1. The Commissioners establish the organizational expectations for internal control.
2. The Chief Executive Officer (CEO) is responsible for implementing effective control policies and procedures and ensuring that an effective control environment is maintained in accordance with the Commissioner's expectations.
3. Individuals with delegated approval authority, e.g. chief officers, department directors and division heads are responsible for establishing, maintaining, and supporting a system of internal controls within their areas of responsibility and for creating the control environment that encourages compliance with policies and procedures.
 - a. Adequate supervision is necessary to ensure that internal controls are operating as intended, and to ensure the reliability of accounting and operational controls by pointing out errors, omissions, exceptions, and inconsistencies in procedures
 - b. Management and staff in leadership roles are responsible for the application of this policy and the design, development, implementation, and maintenance of systems of internal controls focusing on the effectiveness of operations and the safeguarding of assets within their respective areas of responsibility.
 - c. All levels of management and supervision are responsible for strengthening internal controls when weaknesses are detected. Department directors should periodically review departmental procedures to ensure that the general principles of internal control are being followed.
4. The Chief Financial Officer (CFO) has the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules, and regulations. The CFO is Greenville Water's source for information and assistance to management and staff on this topic and will make resources available to any department to assist in administering this policy.
5. The Human Resources Director is responsible for internal controls over employee recruitment, hiring, separation, promotion, job classification, employee rights, and salary administration. The Human Resources Director is Greenville Water's source for information and assistance to

management and staff on this topic and will make resources available to any department to assist in administering this policy.

6. All levels of internal control are subject to examination by external auditors who are required to report on the adequacy of internal controls over finance and compliance.
7. Department directors are responsible for prompt corrective action on all internal control findings and recommendations made by external auditors. The audit process is completed only after department directors receive the audit results and take action to correct internal control weaknesses, improve systems, or demonstrate that management action is not warranted.
8. Management and staff in leadership positions have the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within, and contribute to, an effective internal control environment. This includes providing access to appropriate training on topics relevant to their job responsibilities.

B. Greenville Water management will establish and maintain a system of internal controls that satisfies Greenville Water's objectives in the following categories:

1. Safeguarding of Greenville Water assets.
2. Reliability and integrity of financial information.
3. Compliance with Greenville Water policies, plans, procedures, laws and regulations.
4. Economical and efficient use of Greenville Water resources.
5. Meeting established objectives and goals for Greenville Water operations.

C. General internal control principles are:

1. Separation of duties
 - a. Duties are separated so that one person's work routinely serves as a check on another's work.
 - b. No one person has complete control over more than one key function or activity (e.g., authorizing, approving, certifying, disbursing, receiving, or reconciling).
2. Authorization and approval
 - a. Proposed transactions are authorized when proper and consistent with Greenville Water policy and the department's plans.
 - b. Transactions are approved by the person who has delegated approval authority.
3. Custodial and security arrangements
 - a. Responsibility for physical security/custody of Greenville Water assets is separated from record keeping/accounting for those assets.
 - b. Unauthorized access to Greenville Water assets and accounting records is prevented.
4. Timely and accurate review and reconciliation
 - a. Accounting records and documents are examined to verify that recorded transactions actually took place and were made in accordance with Greenville Water policies and procedures.
5. The general internal control principles shall be applied to all accounting records and reports, payroll, purchasing/receiving/disbursement approval,

equipment and supply inventories, cash receipts, petty cash and change funds, billing and accounts receivable.

- D. All department systems, processes, operations, functions, and activities are subject to evaluations of internal control systems. The overall results of these evaluations provide information regarding Greenville Water's overall system of control.**
- E. Information and communication – information must be timely and communicated in a manner that enables people to carry out their responsibilities.**
1. All personnel must receive a clear message from the Greenville Water management that control responsibilities are to be taken seriously. Failure to comply with established practices will subject individuals to the terms of disciplinary action or dismissal.
 2. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others.
 3. Employees must have a means of communicating significant information to Greenville Water management.
 4. Greenville Water must communicate effectively with external parties, such as customers, funding providers, contractors, suppliers, regulators and other stakeholders.
- F. Internal control is meant to keep Greenville Water focused on achieving its mission while avoiding surprises. There is a balance between effective controls and mission accomplishment. Costs associated with internal controls should not exceed their benefit, nor should controls be allowed to stifle mission effectiveness and timely action. Management must assess the costs, benefits, and risks when designing controls to develop a positive control environment and compensate for the risks of non-compliance, loss of assets, or unreliable reporting while accomplishing the Greenville Water mission.**