

TOP 10 CONTROLS

Internal Control Basics For EVERY Employee – Strong Ethical Values are KEY

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CONTROLS ARE EVERYBODY'S BUSINESS

- WHY THE NEED FOR STRONG INTERNAL CONTROLS?
- PURPOSE OF INTERNAL CONTROLS
- WHO IS RESPONSIBLE FOR INTERNAL CONTROLS?
- TOP 10 CONTROLS
- IMPORTANCE OF STRONG ETHICAL VALUES



WHY?

Current economic and political atmosphere

- Continued State budget shortfalls.
- Funds are limited.
- Private donors to Universities are more selective.
- Need for greater transparency.
- Utah Administrative Code R25-10* requires state entities to submit detailed revenue, expenses and employee compensation information to the Utah Public Finance Website - <http://www.utah.gov/transparency>



Purpose of a Strong System of Internal Controls

- Keep us focused on the University's primary activities: education, research and outreach
- Protect the University's assets.
- Comply with laws and regulations.
- Provide boundaries.
- Utilize resources effectively and efficiently.
- Promote financial reliability and integrity.
- Monitor results.
- Provide feedback.
- Protect employees.**



Who is responsible for Internal Controls?

Administration

Establish and monitor controls

Internal Audit Services

Evaluate and test controls

Everyone – faculty and staff

Understand and implement controls



Top 10 Controls

1. Approval Authority and Responsibilities
2. Reconciliations and Reviews
3. Protect Data and Assets
4. Separation of Duties
5. Be Familiar with Applicable Policies, Procedures and Regulations
6. Appropriate Use of University Resources
7. Open Communication – Be Aware
8. Documentation and Record Retention
9. Utilize Tools and Resources
10. Control Environment – Leadership



1. Approval Authority and Responsibilities

Your signature should mean something.

- Review things before you sign/approve them.
- Ask:
 - Is the expenditure reasonable and appropriate?
 - Is it for legitimate University business?
 - Does back-up documentation support it?
 - Are there funds available?
 - Is the funding source appropriate?
- If you don't understand it and can't vouch for it, don't sign or approve it.
- Don't let others sign your name or initials.



1. Approval Authority and Responsibilities

(cont'd.)

Delegation:

- Delegating duties does not relieve you of your responsibility and accountability for a transaction.
- Select appropriate personnel to delegate duties to in compliance with Policy 519.
- Assure delegate has knowledge, skills and ability to do the task.
- Monitor and review what is being approved by your delegate.



2. Reconciliations and Reviews

- ❑ Best tool to detect errors and misuse
- ❑ Review what has posted to your indexes –
 - ✓ Review the change in balance
 - ✓ Does it make sense?
- Document your review and approval with your signature and note the date of review.
- Should be completed within a month from issuance of Banner statements.



3. Protect Data and Assets

- Secure devices containing data.
- Protect your password – don't share it with anyone.
- Review files for sensitive information.
 - Redact
 - Shred
- Lock doors and file cabinets which contain sensitive as well as proprietary information.
- Collect cash in as few locations as possible.



4. Separation of Duties

Best way to avoid mistakes and prevent fraud.

- Responsibilities should be divided to ensure one person does not perform every aspect of a financial transaction.
- Removes opportunity for mistakes and reduces risk of fraud.
- Separate: ABCs
 - Asset handling
 - Booking or recording transactions
 - Comparison or review of transactions and balances



4. Separation of Duties

(cont'd.)

- ❑ If it is impractical or impossible to separate the **ABCs**, administrators should:
 - Increase supervision and monitoring.
 - Add compensating controls.
 - Accept the risks (based on a cost/benefit analysis).



5. Be Familiar with Applicable Policies, Procedures and Regulations

- ❑ Provide guidance and set guidelines to help all employees perform their jobs and complete responsibilities

- ❑ Non-compliance with federal and state regulations over sponsored funding may subject your department/college unit to:
 - Loss of funding from the sponsoring agency
 - Fines and penalties
 - Reputational risk
 - Debarment



6. Appropriate Use of University Resources

- Avoid mentality of *“This is my funding.”*
- Clearly document instances where personal and business travel/purchases are comingled.
- Do not use any USU resources for personal gain or non-USU business.
- Do not use the P-Card for personal use.



7. Open Communication – Be Aware

- Allow and promote open dialogue.
- Be open to concerns from your employees.
- Trust your good judgment.
- Remove any opportunity – protect your employees.

THE FRAUD TRIANGLE



Who is likely to take that opportunity?

- 1 in 10 people will not commit fraud regardless of the circumstances.
- 8 in 10 will commit fraud if the fraud triangle is in place.
- 1 in 10 people seeks a particular job in order to commit fraud (predatory employee).

Source: State of Utah Risk Management Workshop



8. Documentation and Record Retention

- Will you remember why you processed this transaction or what you approved?
 - Document business purpose.
 - Too much information is better than no information at all.

- Certain records are required to be kept and maintained by state or federal laws, University policy and/or grant and contractual agreements.
 - Find out requirements – based on funding and record type.
 - Destroy outdated documents.



9. Utilize Tools and Resources

- Take advantage of training to enhance processes and improve personnel - <https://training.usu.edu/>
- Know policies - <https://usu.edu/hr/html/policies>
- If you oversee sponsored projects, know related regulations – federal *OMB Circular A21*.
- Ask questions.
- Clarify issues.



10. Control Environment – Leadership

- This control encompasses all other controls.
- Tone set by those in leadership positions
- Ethical conduct
- Go beyond what is merely allowable to what is right.

*“Ethical behavior goes beyond obeying laws, rules and regulations. It is a **commitment** to doing what is right, as well as merely what is allowable....”*

- Institute of Chartered Accountants



What can each person do to strengthen USU's System of Internal Controls?

- Controls are everybody's business.
- This means we all need to work together for mutual accountability for internal control.
- If you are aware of a control that is not working, let's work together to come up with a way to make it better.



Your Internal Audit Services Team

.....*by your side.*

.....*at your service.*

.....*in your best interests.*

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