Internal Controls

What Are They
And
Why Should I Care?
Three Concepts that Supervisors Must Understand:

• The supervisor is responsible for the internal controls in their area.
• The supervisor’s attitude significantly impacts their employees attitude.
• The supervisor designs the internal control system.
The President is responsible for controls for the university.
The Vice Presidents are responsible for controls in their divisions.
The Deans are responsible for controls in their colleges and departments.
The Supervisors are responsible for controls in their area.

Everyone is responsible for internal controls.
It is important to understand that your attitude will set the standard that will impact the actions of your employees.
Control Environment is the Foundation of Good Internal Controls

- Monitoring
- Control Activities
- Risk Assessment
- Control Environment
A Good Control Environment Ensures that:

- Information and communication flows freely between employees and the supervisor.
- Management is responsive.
- Responsibilities are well defined and reasonable.
- Employees are given the necessary tools to do their job.
Risk Assessment Identifies Where We Need Controls

- Risk Assessment
- Control Environment
- Control Activities
- Monitoring
Performing a Risk Assessment

• Ask Yourself:
  – What assets/information need protected?
  – What are the risks to your assets or information?
  – What procedures could be implemented to reduce the risks to your assets?
Ensure Internal Controls Are in Place to Minimize Risk:

- Protect assets and information.
- Ensure records are accurate.
- Promote operational efficiency.
- Encourage adherence to policies, rules, regulations, and laws.
- Reduce the opportunity for fraudulent activity.
Control Activities are the Actions Taken to Control Risk

- Control Activities
- Risk Assessment
- Control Environment
- Monitoring
Examples of Everyday Internal Controls

Personal Controls:
• Lock homes & vehicles
• Keep pin numbers secure
• Keep checkbooks and cash secure
• Review bills before paying them & reconcile to bank statements

University Controls:
• Lock offices & cabinets
• Keep passwords confidential
• Keep funds received secure and accounted for
• Reconcile monthly account statements to ensure all expenditures are appropriate & funds received were deposited
“Access” Controls

Ensure Your Employees have Appropriate Access for their Job:

- Banner & Other System Access
- Physical Access (Keys)
- Safe Access (Combinations)
- Ensure Access is Removed when Employees Leave the University or Department
- Ensure Duties are Segregated
Separation of Duties is a Key Access Control

One person’s responsibilities are restricted so that they can’t both cause and conceal errors. For example, one person should not receive funds, make the deposit, and reconcile the funds received to the departmental account statement.
“Process” Controls

- Perform Reconciliations
- Use Checklists
- Have Backup Procedures
- Have Departmental Policies & Procedures Manual
Monitoring Your Control System Ensures that It is Functioning

- Monitoring
- Control Activities
- Risk Assessment
- Control Environment
Monitoring Methods

• Status and Exception Reports
• Process Reviews
  - Internal
  - External
• Feedback Processes
  - Employees/Customers
  - Surveys
  - Hotlines (ethicspoint.com)
AUDIT CHECK LIST* - AREAS REGULARLY REVIEWED

ACCOUNTING AND FINANCIAL CONTROLS

- Expenditures
  - PPM 5-4b, PPM 5-4c, PPM 5-25a-j
  - Detailed monthly reconciliations of accounts are performed (including WSU Bookstore charges & petty cash reimbursements)
  - Expenditures are within budgets
  - Banner approval limits are appropriate
  - Expenditures are for legitimate university purposes
  - Appropriate supervisor approval obtained for expenditures
  - Supporting documents are on file and tie to expenditures
  - Bookstore charge receipts are on file
  - Accounting Services has authorized any off campus bank accounts used by department
  - Employee awards and gifts exceeding $50 are processed through Payroll
  - Gift cards and other items given to employees/students are adequately tracked and signed for by recipients
  - Requisitions are not used to request payment of services to an employee
  - Purchases over $1,500 are initiated through processing a purchase requisition (No Confirmation Orders)
  - Expenditures for items that could appear personal in nature have the university purpose clearly documented

- Petty Cash Reimbursements
  - PPM 5-11
  - Purchases are for legitimate university purposes
  - Appropriate approval signatures are evident on petty cash reimbursement vouchers
  - Reimbursements are under $100.00
  - No split transactions are made
  - Department has copy of reimbursement vouchers on file

- Coll Phono Stipends
  - PPM 3-65
  - PARs for stipends are properly approved
  - Stipends are appropriate for job type
  - University agreements for cell phone stipends are signed annually by the employee & supervisor
  - Department cell phones are approved by the appropriate vice president and logs are kept documenting all business and personal calls

- Equipment Inventory / Surplus Property
  - PPM 5-27, 5-28
  - Inventoried items are on hand & secured
  - Department has appropriate documentation on file for items transferred or surplused
  - Department verifies their equipment inventory at least annually

- Deposit of Funds / Accounts Receivable (Cash Handling Procedures)
  - PPM 5-3, 5-11a, 10-4
  - Departmental cash handling procedures are formalized in writing
  - Appropriate segregation of duties are maintained - billing, receiving, depositing & reconciling functions performed by multiple people
  - Payment Card Industry (PCI) requirements are followed (See PPM 10-4) - Appropriate controls are in place to protect information
  - Credit cards are processed using an approved university system such as TouchNet, Blackboard or Prism
  - All transactions are documented by either an electronic cashiering system, a cash register tape or a handwritten receipt
  - Cashiers operate out of separate cash register drawers and reconcile their drawers at the end of their shifts
  - All checks are restrictively endorsed immediately upon receipt “For Deposit Only to WSU”

- Grants & Sponsored Projects
  - PPM 5-4d
  - Appropriate approvals are obtained on contracts & supporting documentation
  - Expenditures are in accordance to requirements
  - Other restrictions are followed
  - Time & effort reporting requirements are met
  - Final & other required reports are submitted per requirements

*Please Note: This check list is not all inclusive of all areas audited by Internal Audit
AUDIT CHECK LIST* - AREAS REGULARLY REVIEWED

Page 2 of 2

PERSONNEL POLICIES

☐ Student & Non-Student Hourly Employees
  ○ PPM 3-2, 3-2a, 3-14
  ○ PARs, W-4s & I-9s are on file before a student is allowed to work
  ○ PARs are approved by an appropriate supervisor
  ○ Student employees do not work more than 40 hours per week
  ○ International & Federal Work Study Students are generally limited to 20 hours per week
  ○ Non-student hourly employees cannot work more than 1500 hours per fiscal year

☐ Overtime/Compensatory Time (Non-Exempt Classified)
  ○ PPM 3-2a
  ○ Adequate records are kept by the department
  ○ All time worked and comp time used are recorded and appropriately approved in Weber’s Time Entry Approval system
  ○ Non-exempt classified employees have been properly compensated for all overtime worked per FLSA requirements
  ○ Accumulated compensatory time hours earned in excess of 90 hrs is paid as overtime

☐ Vacation / Sick Leave
  ○ PPM 3-20, PPM 3-21
  ○ Appropriate documentation is kept by the department to track leave taken
  ○ Leave taken is approved by the appropriate supervisor in Leave Tracker

☐ Employment of Relatives
  ○ PPM 3-6
  ○ The university nepotism policy is followed
  ○ Exceptions to this policy require written approval of the supervising vice president or president

☐ Criminal Background Checks
  ○ PPM 3-5a
  ○ Background checks were performed on applicable personnel

☐ Supplemental Pay
  ○ PPM 3-48, PPM 3-50
  ○ Appropriate approvals were obtained for “salaried non-faculty” personnel receiving extra compensation in excess of 15% of their base salary (3-48)
  ○ Appropriate approvals were obtained for “faculty” exceeding policy limit (3-50)

☐ Employee Training
  ○ Applicable employees have received OSHA and other safety related training
  ○ Employees have received other applicable training - Defensive Driving Certification, FERPA, PCI DSS, FLSA, etc.

INFORMATION SECURITY POLICIES AND PROCEDURES

☐ Access Controls
  ○ PPM 10-1, PPM 5-44, PPM 5-44a
  ○ Current employees access to university systems and orgs are appropriate
  ○ Transferred employees access was modified to reflect new duties & orgs
  ○ Terminated employees no longer have access to INB BANNER & other university systems
  ○ Department regularly reviews employees system access (at least once a year)
  ○ Keys for terminated employees are returned
  ○ Terminated employees Prox access to buildings is removed

☐ Desktop Security / Data Loss Prevention
  ○ PPM 10-1, PPM 10-2, Securo Computing Standard, Computing Documentation Standard
  ○ Computers have an Policy Orchestrator Agent (POA) installed and running
  ○ Passwords are not shared
  ○ Computing equipment is properly tagged & tracked
  ○ Operating system updates are set to run automatically
  ○ Automatic locks are set for no longer than 20 minutes
  ○ Firewalls are turned on
  ○ File/Printer Sharing, Internet Information Services (IIS) are turned off
  ○ Poor to Poor (P2P) software is not installed
  ○ All software used by the department is licensed
  ○ Sensitive information is adequately protected and properly shredded or disposed of when no longer needed
  ○ Third-party contracts are in place to protect shared university data
  ○ Backups of data are properly secured
  ○ Other Items listed in policies and standards
  ○ Any exceptions to the Secure Computing Standard have been approved by the IS Office and ISTF

OTHER AREAS OFTEN REVIEWED

☐ Department Survey
☐ Tuition Benefits
☐ Scholarship Awarding Processes
☐ Shop Supplies & Roseto Inventory
☐ Compliance with Board of Regents (BOR) Auxiliary Enterprise Policies (R550 and R555)
☐ Student Clubs
☐ Compliance with Industry Standards & Best Business Practices
☐ Other Policies & Procedures Unique to a Specific University Department

*Please Note: This check list is not all inclusive of all areas audited by Internal Audit
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