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Internal Controls
Compliance Office of Business Affairs

What Is Control?

- A control is an action taken by management to enhance the likelihood that established objectives and goals will be achieved.

- Sufficient and effective management of control is performed daily throughout each job function.

- Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

- Control is the result of proper planning, organizing, and directing by management.

What are Internal Controls?

- Internal Control is a process within an organization designed to provide reasonable assurance regarding the achievement of the following primary objectives:

  - The reliability and integrity of information
  - Compliance with policies, plan, procedures, laws, regulations, and contracts
  - The safeguarding of assets
  - The economical and efficient use of resources
  - The accomplishment of establish objectives and goals for operations or programs

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Examples of Internal Controls

- Some examples of internal control include:

  – Written policies and procedures

  – Locking your office to discourage theft

  – Making sure there is segregation of duties so that employees who have access to assets do not have access to records related to those assets

Types of Internal Control

- Control activities are actions that supported by policies and procedures that help assure that management risk directives are carried out properly and timely.

- A control should be appropriate, practical, reliable, simple, complete, operational, usable, cost-effective, timely, meaningful, reasonable, and consistent.

- Three types of controls apply to Operational Audits:
  - Directive
  - Preventive
  - Detective

Examples of Directive Controls

- Directive Controls are actions taken to cause or encourage a desirable event to occur. They are broad in nature and apply to all situations.

  – Organization structure
  – Policies
  – Procedures
  – Management directives
  – Guidance statements
  – Circulars
  – Job\position descriptions

Examples of Preventive Controls

- Preventive Controls deter undesirable events.

  - Segregation of duties
  - Timely reconciliation of accounts
  - Restricted areas, money safes, controls over night collections
  - Plans, goals, budgets, and comparison of the actual with budgets
  - Procedure manuals
  - An adequate check on prior employment background for all new employees

Examples of Detective Controls

- Detective Controls detect undesirable events so corrective actions can be taken.

  – Perform an aging analysis of account receivable accounts
  – Establish inspection procedures for incoming materials
  – Have the personnel department authorize the hiring of all employees, set pay levels and pay rate changes;
  – Ensure that there exist management approvals; dual controls; system access controls; supervisory review
  – Implement an work order system to track maintenance costs
  – Use pre-numbered checks
  – Require all employees to take annual vacation
  – Conduct periodic audits

Who Is Responsible?

- WE ALL ARE
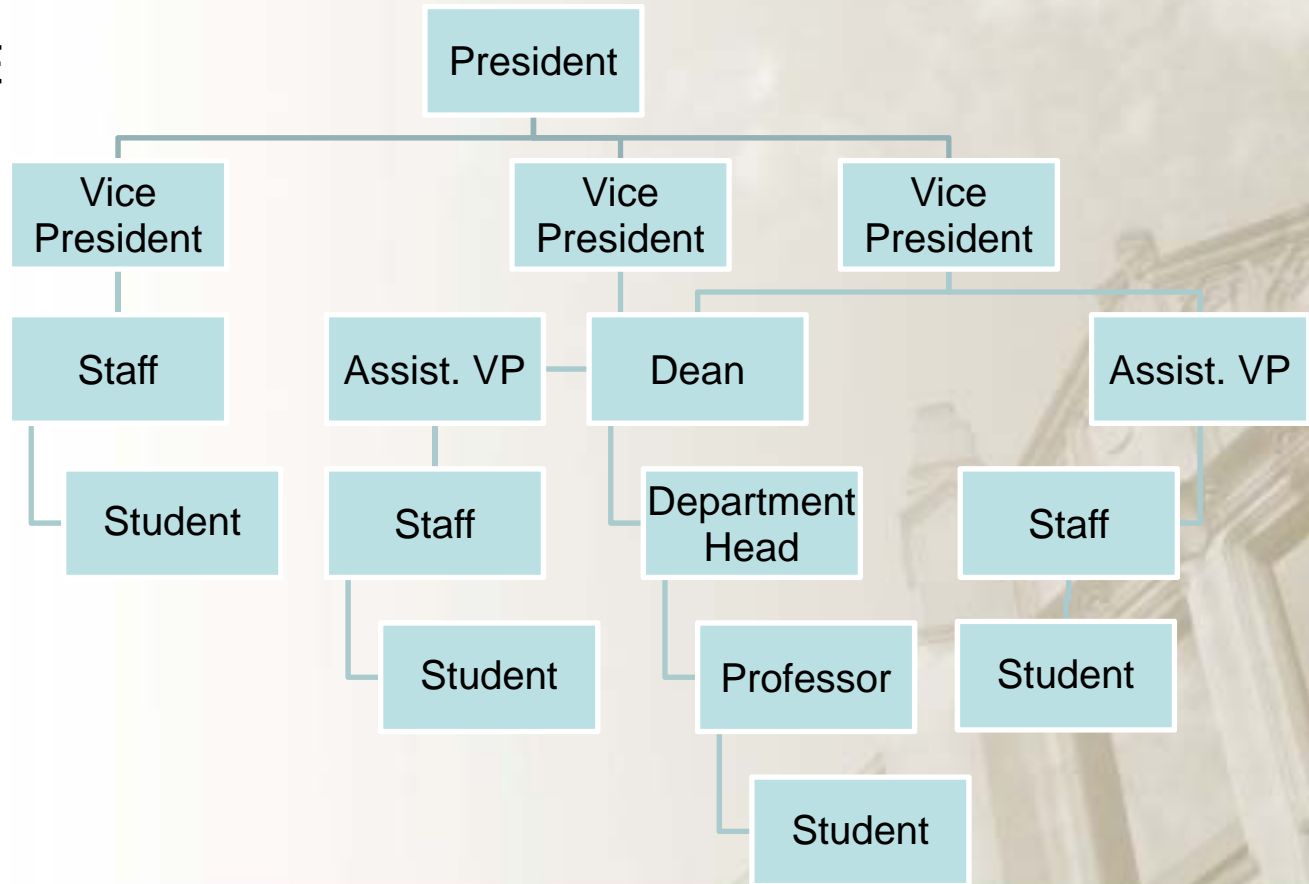
Management's Responsibility

- Management assures appropriate controls are in place for all operations.

- Management is responsible for ensuring internal controls are established and functioning to achieve the mission and objective of the Unit.

Employee's Responsibility

- Every employee must follow controls, report problems, and provide feedback for improvements of job functions by:

    - Fulfilling the duties and responsibilities established in his/her job description
    - Meeting applicable performance standards
    - Attending education and training programs to increase awareness and understanding
    - Taking all reasonable steps to safeguard assets against waste, loss, and unauthorized use
    - Reporting breakdowns in internal control systems to your supervisor or the Compliance Office

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Internal Controls
Why Should We Have Them?

- An effective internal controls system will reduce the risk of fees and penalties, serious lawsuits, or become the target of increased auditing activity.

- Internal Controls ensures that Prairie View _CARES_ by:

    Compliance with regulations, procedures and guidelines

    Accomplishment of the campus' mission

    Reliable and accurate information/data

    Efficient use of resources

    Safeguard assets

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Compliance

- To ensure adherence to laws, regulations, procedures, guidelines and management directives.

- Prairie View must conduct its activities, and often take specific actions, in accordance with applicable laws and regulations. These laws and regulations establish minimum standards of behavior.

    More information on Prairie View's compliance objectives can be found at www.pvamu.edu
    Forms, Policies & Reports >> Policy Library

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Accomplishment

- Accomplishment of the campus' mission, pulling together all the goals and objectives throughout the campus.

- Prairie View A&M University is dedicated to excellence in teaching, research and service. It is committed to achieving relevance in each component of its mission by addressing issues and proposing solutions through programs and services designed to respond to the needs and aspirations of individuals, families, organizations, agencies, schools, and communities--both rural and urban. Prairie View A&M University is a state-assisted institution by legislative designation, serving a diverse ethnic and socioeconomic population, and a land-grant institution by federal statute.

  More information on Prairie View's mission objectives can be found at www.pvamu.edu
  About PVAMU >> PVAMU Mission

Reliable

- To develop and maintain reliable financial/management data and to accurately present that data in timely reports.

- To improve accountability, departments must perform monthly reviews of the Statements of Accounts provided by the Financial Accounting Reporting and Procurement Office (FARP). The review will provide an opportunity to ensure accuracy of revenues and expenditures, that they are credited/charged to the proper account, and provide an audit trail.

More information on Prairie View's reliable objective can be found at www.pvamu.edu
   Forms, Policies & Reports>>Policy Library>>Administrative Memoranda>>Fiscal Year 08-10

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Efficient

- Promote efficient, orderly, economical, and effective operations and produce quality products and services consistent with Prairie View's mission.

- Prairie View A&M University has taken steps to reduce its utility usage. All employees are asked to turn off their computers, monitors, lights, etc, whenever they leave their offices. See VPBA Memo FY09-55

More information on Prairie View's economical objectives can be found at www.pvamu.edu
  Forms, Policies & Reports>>Policy Library>>Administrative Memoranda>>Fiscal Year 08-09

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Safeguard

- Safeguard assets against loss due to waste, abuse, mismanagement, errors, and fraud.

- Typically, access controls are the best way to safeguard assets. Examples of access controls are as follows:
    - locked doors
    - locked filing cabinets
    - guards
    - terminal locks
    - computer passwords
    - data encryptions

More information on Prairie View's objectives for safeguarding of assets can be found at www.pvamu.edu
    Forms, Policies & Reports >> Policy Library >> 40 Accounting & Safeguarding of Assets

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What Could Go Wrong?

- Weak controls may not show up immediately and certain signs point to this deficiency:

  – Inability to meet upper management's deadlines for supplying information
  – Incorrect or unclear information
  – Incomplete forms
  – Unusually high employee turnover
  – Crowded and poorly organized files would require extra effort to locate material
  – Poor employee morale
  – Over payment of checks
  – Stolen money

How Can We Keep the System Working?

- Monitoring is the assessment of internal control performance over time.
  - It is accomplished by ongoing supervision of processes and workflow.

- Evaluations of internal control such as:
  - Self-Assessment
  - Peer Reviews
  - PVAMU Compliance Office
  - Texas A&M University System (TAMUS)
  - State Auditor's Office (SAO)
  - Texas Workforce Commission (TWC)
  - Comptrollers Office, and
  - National Collegiate Athletic Association (NCAA)

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Recap Of Internal Controls

- Understanding the (who, what, when, where, why, & how) of internal controls
    - **W**ho is responsible for ensuring internal control?
        - ✓ *We all are*
    - **W**hat is a control?
        - ✓ *Any action taken by management to ensure objectives are achieved and jobs are completed*
    - **W**hen does control occur?
        - ✓ *All of the time*
    - **W**here does control occur?
        - ✓ *Through policies and procedures and unit processes*
    - **W**hy is control needed?
        - ✓ *To ensure the job is accomplished*
    - **H**ow do you ensure control and keep your Unit functioning?
        - ✓ *Monitoring and Evaluation*

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Control Exercise

- Identify one of the following objectives:
    - Ensure your children get to school on time
    - Ensure that you have a fabulous vacation
    - Ensure you don't get stranded in your car
    - Ensure you recognize your friends and family on holidays and birthdays

- What controls are in place to help you meet the objective?

Was your objective achieved?

- If your objective was not achieved, what hinders you from meeting your objective?

- How to meet your objective:
  - Define your objective
  - Define the steps of the process
  - Define the controls of the process
  - Define the control weakness or redundancy of the process
  - Define the risks
  - How can we improve or what control should be in place to ensure we achieve our objective

Questions?

Any Questions………………

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