

Internal Controls

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Internal Controls

Broadly defined as a **process**, designed to provide reasonable assurance regarding the achievement of objectives relating to:

- Effective and efficient operations
- Reliable financial reports
- Compliance with laws and regulations

I need a better visual than a Rubik's Cube



How does the cube explain things?

For each of the three: Operations, Reporting and Compliance there are aspects of:

- **Control Environment**

- Sets the tone of the organization from the top
- Foundation for all other components
- Provides structure and discipline
- Includes management philosophy, ethical values of the organization, competence of personnel as well as assignment and support of authority and responsibility

How does the cube explain things?

For each of the three: Operations, Reporting and Compliance there are aspects of:

- **Risk Assessment**

- Identification and analysis of risks as they impact achievement of our objectives
- How risk will be managed
- Reaction to and management of risk associated with constant change
- Roles and responsibilities for risk management
- Dealing with specialized risk related to benefit

How does the cube explain things?

For each of the three: Operations, Reporting and Compliance there are aspects of:

- **Control Activities**

- Policies and procedures
- Approvals, authorizations, work flows, forms, reconciliations
- Protection of assets
- Checks and balances (segregation of duties)

How does the cube explain things?

For each of the three: Operations, Reporting and Compliance there are aspects of:

- **Information and Communication**

- Information critical to the institution should be identified, captured and communicated
- Necessary for people to carry out their responsibilities and make good decisions
- Not just data but philosophy, goals, objectives, strategies etc. should be broadly disseminated
- Messaging should be clear and top down
- Personnel must understand how they fit into the overall structure and mostly how their work impacts/relates to that of others
- External parties need to understand as well and understanding is only possible through good communication

How does the cube explain things?

For each of the three: Operations, Reporting and Compliance there are aspects of:

- **Monitoring Activities**

- Assess the quality of the institution's performance over time
- Ongoing monitoring
- Separate evaluations based upon risk assessment
- Allows for real time change in response to changing environments
- Allows for reporting to upper management when something bad occurs

How does the cube explain things?

General summary:

There is a direct relationship with the three categories of objectives (what the institution is trying to achieve) and the 5 components which represent what we need to achieve the objectives.

We are most effective when these controls and activities are built into our infrastructure and are part of our “essence” as an institution.

What does Auburn look like?

- Control Environment
- Risk assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Focus Areas for Auburn University

- Consistency in approach and processes
 - Currently we manage many things by exception
- Roles and responsibilities
 - Is anyone really in charge and who might that be?
- Accountability at all levels of the institution
 - Deans, ADR's, Investigators, Departmental Support personnel, Central Admin folks
- Oversight, monitoring and sanctions for security of a growing program
 - Individuals should be held responsible for improper behavior in order for that behavior to change