

“Internal Controls: What They Are and Why They Are Important”

Presented by:

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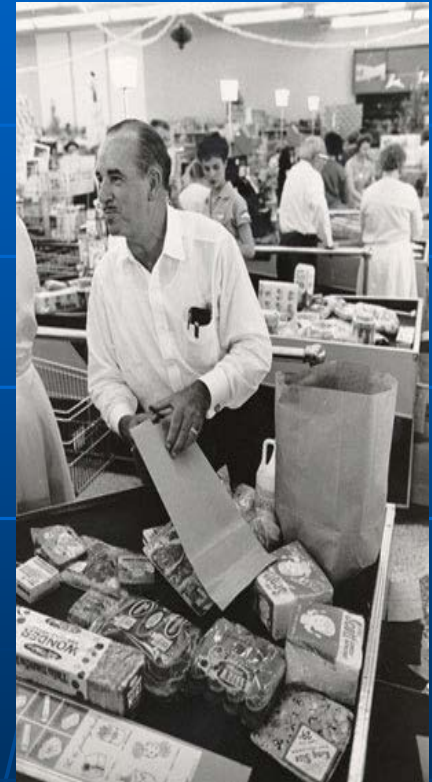
A Past President

Association of College and University Auditors (ACUA)



George Jenkins, Founder of Publix Grocery Stores

- "Publix will be a little better place to work, or not quite as good because of you." – George Jenkins

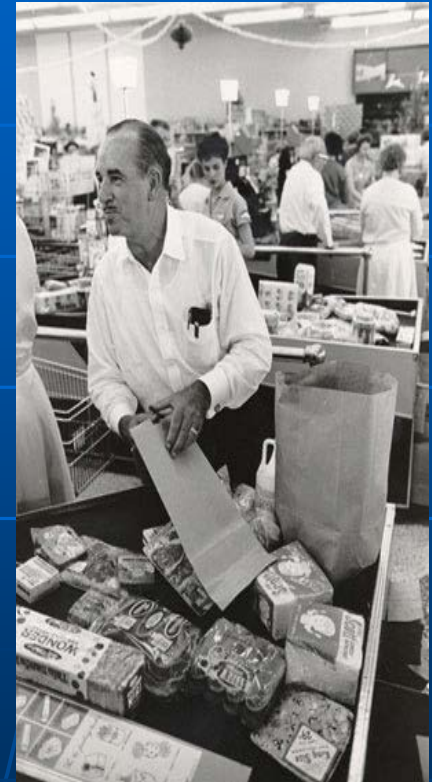


Publix, George Jenkins & Culture



George Jenkins, Founder of Publix Grocery Stores

- "Publix will be a little better place to work, or not quite as good because of you." – George Jenkins
- "Internal controls will be a little better or not quite as good because of you." – KR



Internal Control Defined (>100 refs in uniform guidance)

- A process, effected by an entity's board, management and personnel designed to provide reasonable assurance regarding the achievement of objectives in: effectiveness/efficient operations, reliable reporting, compliance.

Terminology - Objectives

- Objectives – whatever it is we want to “do.”



Terminology - Success

- Success – whatever it “looks like” if we achieve our objectives.



Terminology Risk

- Risk – anything that can get in the way of us achieving our objectives and being successful.



Terminology - Controls

- Internal Controls – the things we do to increase the chances that we will achieve our objectives successfully and reduce the risks that can derail us.



Internal Control – kind of important.....yet.....



COSO – integrated framework of internal control



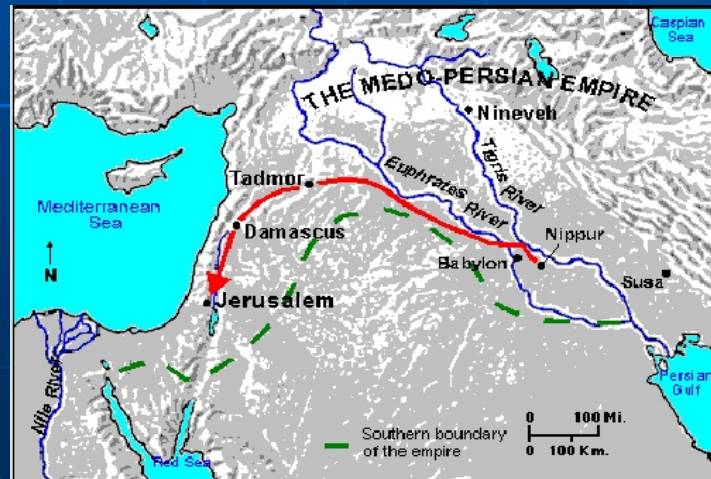
Internal Control A Brief History

- "internal control like things" have been going on since ancient times.



Internal Control History

- "Everything was accounted for by number and weight, and the entire weight was recorded at that time."
Ezra 8:34



Internal Control History



- Control is really basis of double entry accounting – The Father of it Pacioli

But too often we begin with

- The control model auditors use to evaluate internal control and miss the big picture of what controls are really all about.





Timeout for...

The Mystery of Internal Controls



"Everyone has a personal internal control system (PICS)."

Practical Illustration



COSO and Ice Cream Clip



- CE – desire for fairness
- RA – if ice cream is unequal that would not be fair
- CA – eating ice cream to make it equal
- M – paying attention to serving size
- IC – policy of fairness in serving.
Also feedback from the kid potentially.

PICS

- Your House –
 - locking doors
 - Debit Cards –
 - pin numbers
 - Bank Accounts –
 - monthly reconciliations
- Your Car –
 - maintenance, insurance.
- Your Self – seat belts, exercise, insurance.
- Anything you do in your personal business to protect yourself and achieve objectives.

Evaluating Controls – Not a One Time Thing

Processes change, positions
are not replaced, new threats
emerge.....

When you think you have the perfect mouse trap....





10 Suggestions for Internal Control

Following these simple suggestions will greatly improve the controls in your area.

10 Suggestions

- 1. Set a strong example for the expectation of ethical behavior, compliance with laws/policies, and communicate your expectations routinely to your unit's personnel.
- 2. Never sign something you don't understand.
- 3. Limit signature authority and don't let anyone sign your name (an employee should sign their own name). Never use a signature stamp.

10 Suggestions

- 4. If something doesn't make sense ask questions about it until you do. Pay attention to what your employees are doing.
- 5. Be familiar with policies and procedures if you are not sure, call and ask questions.
- 6. Consider unique risks your unit may have (i.e. cash collections, contracts and grants, etc.) and ensure additional oversight is provided.

10 Suggestions

- 7. Ensure accounts are reconciled monthly and review this reconciliation for any unusual transactions. (This should include a review of payroll and leave reports.)
- 8. Don't let one employee have complete control of any process.
- 9. Keep offices and labs locked to protect property, data, and other resources. (Remember to shred paper documents with identifying information.)
- 10. Ensure state assets are used for state business.

Avoid the 2 Big Myths

- "We will send it through and if it is processed, if it is, then it's okay."
- Fiduciary responsibility rests with you if you send something through you are saying it's okay.



Avoid the 2 Big Myths

- "It is our money anyway, we can spend it however we want."
- State and federal law dictate what is allowable – you are a steward of funds. Stewardship is not ownership.



UCLA Case 2008 Lab Fire



UCLA professor strikes deal in lab fire case, avoids prison



UCLA chemistry professor Patrick Harran, right, sits with his attorney, Thomas O'Brien, after he struck a deal with prosecutors that all but frees him from criminal liability in a 2008 laboratory fire that killed a staff research assistant. (Al Seib, Los Angeles Times)

By **KIM CHRISTENSEN**
contact the reporter

SHARELINES

UCLA professor all but freed from criminal liability in 2008 laboratory fire that killed one

Lab fire victim's family: 'This settlement ... is barely a slap on the wrist for the responsible individual'

JUNE 20, 2014, 5:45 PM

UCLA chemistry professor Patrick Harran struck a deal with prosecutors Friday that all but frees him from criminal liability in the 2008 laboratory fire that killed a staff research assistant.

Charged with four felony counts of willfully violating state occupational health and safety standards in the death of Sheharbano "Sheri" Sangji, Harran had faced up to 4 1/2 years in prison if convicted.

“This settlement, like the previous one with UCLA, is barely a slap on the wrist for the

Instead, under a "deferred prosecution agreement" approved by Los Angeles County Superior Court Judge George Lomeli, Harran admitted no wrongdoing, but will develop and teach an organic chemistry course for college-bound inner-city students for five summers, perform 800 hours of non-

Local / Education

This article is related to: Crime, Education, Trials and Arbitration, Justice System, UCLA, Chemistry



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3 Conclusions

1. The world has changed with respect to compliance, risk, and accountability.
2. You play a key role in controls which ensure success in the above items.
3. See something, say something is the new normal. Saying nothing can lead to major problems.



Questions & Comments

Thank you for the invitation!

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