Effectively Controlling Risks
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- What is the purpose of this training?
- Why do we need to understand internal controls?
- What is internal control?
- What are the components of internal control?
- Where can I learn more?
What Is the Purpose of This Training?

To help faculty and staff understand, evaluate, and manage internal controls and risks.

This training is required annually for all employees who are responsible for managing accounts and/or have signature authority.
Highly publicized frauds at other universities have caused concerns among Texas A&M University System and component administrators.

What was determined to be the problem?

WEAK INTERNAL CONTROLS

Why Do We Need to Understand Internal Controls?
What Is Internal Control?

Internal control is a PROCESS, effected by the University’s governing board, administration, faculty, and staff, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.
Internal Control Process

- Ensuring effective control environment
- Setting objectives
- Assessing risks
- Implementing controls
- Communicating
- Monitoring
Setting Objectives

Departments must define their goals and objectives, considering both the department’s and TAMU-CC’s:

- Mission
- Operations
- Financial reporting
- Compliance
- Significant activities or processes
A risk assessment identifies and analyzes risks associated with achieving your objectives.

A risk assessment helps form a basis for determining how to manage identified risks.
Risks

Risk is the possibility that TAMU-CC will NOT:

- Achieve its goals
- Operate effectively and efficiently
- Protect itself from loss
- Provide reliable financial data (reports)
- Comply with applicable laws, regulations, policies, and procedures
Assessing Risks

Identify and analyze potential risks by asking certain questions:

- What must go right?
- What could go wrong?
- What is the possible IMPACT?
- What is the PROBABILITY – or likelihood of occurrence?
Assessing Risks

Types of high risk transactions:

- Cash/check handling
- Travel
- Consultant payments
- Equipment (laptops, etc.)
- Scholarships
- Payroll
- Contracts & grants
- Confidential information
Implementing Controls

- Control activities help ensure that actions identified as necessary to manage risks are carried out properly and in a timely manner.

- Control activities should be proactive, value-added, and cost effective.

Properly balancing risks and controls makes good business sense!
Implementing Controls

Examples of Control Activities:

- Ensuring proper approval for expenses, time reporting, etc.
- Securing assets (limiting access, keeping records, and making periodic counts comparing department records with official records)
- Segregating duties (ensuring that no ONE person can initiate, approve, record, and receive the same transaction)
- Establishing controls over information systems
Reliable and relevant information, from both internal and external sources, must be identified and communicated to employees.

Communicate policies and procedures up, down, and across the organization in a timely manner.

Only communicate sensitive or confidential information to those who need it.

- Job responsibilities
- Goals and objectives
- Information to assess risks
- Policies and procedures
- Laws and regulations
- Performance indicators
- Customer feedback
- Performance evaluations
Monitoring involves evaluating internal control performance over time to determine whether controls are:

- adequately designed,
- properly executed, and
- effective.
Monitoring

Monitoring activities include:

- Managerial and supervisory monitoring, such as reconciliation reviews, performance evaluations, periodic inventory counts
- Compliance inspections
- Internal audits
- Self-assessments
What is a self-assessment?

A self-assessment is a “self-audit” of a department’s internal control components. For assistance with this process, contact Comptroller’s Office at (361) 825-2409.
What if I suspect fraud?

Definition:  *intentional* wrongdoing, error, omission, inefficiency, waste, ineffectiveness, or conflict of interest.

If you suspect fraud, contact your supervisor, or the TAMUS Hotline: (888) 501-3850
or
TAMUS hotline (979) 458-7115

website:
[www.tamus.edu/offices/iaudit/report_fraud](http://www.tamus.edu/offices/iaudit/report_fraud)
What does all this have to do with me?

- Internal control effectiveness is primarily determined by the knowledge and commitment of ALL TAMU-CC employees.
- By knowing TAMU-CC internal control policies and procedures and complying with all laws and regulations, YOU can help TAMU-CC achieve its goals.
- This training is an internal control activity!
Effectively Controlling Risks

Where Can I Learn More?

- Your supervisor.
- The Office of the Comptroller
- 07.01 Ethics Policy, TAMUS Employees
- 21.04 Control of **Fraud** and Fraudulent Actions
- Texas A&M University System Internal Audit Department