Guide for Self Assessment of Internal Controls

Prepared by
The Internal Audit Department

Updated August 2012

This document when completed may be classified a Public Record under Chapter 132 of the NC General Statutes.

Consult the Office of Legal Affairs if queried by external parties on its contents.
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Self-Assessment of Internal Controls

Introduction

The UNC Charlotte Guide for Self-Assessment of Internal Controls is a tool adapted from the annual requirement administered to all state agencies by the Office of the State Controller (OSC). The purpose of the OSC annual assessment is to assist in confirming the presence of a sound system of internal controls. This guide provides a streamlined set of questions intended to provide a vice chancellor, dean, associate dean, department chair, or department/center/agency/activity director with a self assessment tool that will guide him or her along the path of compliance with the many local, state and federal requirements to which we must adhere.

The guide is intended to be a companion tool to the Department Review Guide Self Assessment Version. You should complete the Internal Controls self assessment first to identify those operational areas into which you need to look more closely. Some of the questions do not apply to every unit on campus. If this is the case for you, then answer “N/A” (not applicable). For those questions for which you are not sure of an answer or don’t know the answer, write “D/K” (don’t know). After completing this guide, refer to the Department Review Guide and conduct a more in-depth assessment of your internal operations in those areas marked “No” or “D/K.”

The Department Review Guide asks a series of specific questions whose answers will complete a picture of how your unit performs in each area against the stated objective for that function. At the end of each section are the same two questions: “What did you find?” followed by “Did you meet the stated objective?” For those areas where you do not feel you meet the stated objective, use the Specific Subject Matter Reference Listing to seek guidance and advice on how to correct the issues that you have developed.

The Internal Audit Department recommends that you complete these two assessments within the first six months of your assignment to a management position and periodically thereafter. The tools can also be used as a “desk reference” by administrative staff and as orientation tools for New Employees. Any questions concerning the construction or content of either review guide should be addressed to the Internal Audit Department.

Internal Control Overview

The following section regarding internal control is taken from the Report of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the related Internal Control Concepts, Standards, and Applications.

Internal control is broadly defined as a process, established by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

For a control to be effective, actual results must be compared to expected results or standards, and corrective action must be taken when indicated. An effective system of internal control should have the following characteristics:

- Establishment of standards;
- Measurement of actual performance;
- Analysis and comparison of actual results to standards;
- Implementation of a program of corrective actions; and
- Review and revision of the standards.

Controls should be economical in time as well as money, and should measure performance in areas that are relevant to the planned result. Controls should also be timely and easily understood by the people using them. Good controls will reflect the goals of the department, indicate when the goals are not being achieved, and measure the critical items - those that have the most impact on achieving goals. The risk of failure and the potential effect must be considered along with the cost of establishing the control. Excessive control is costly and counterproductive. Too little control presents undue risk. There should be a conscious effort made to strike an appropriate balance.

**Elements of Internal Control**

Internal control consists of five interrelated components:

1. **The Control Environment**

The control environment, as established by the organization’s administration, sets the tone of an institution and influences the control consciousness of its people. Likewise, leaders of each department, area or activity establish a local control environment. This is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include:

- Integrity and ethical values;
- The competence of the organization’s people;
- Leadership philosophy and style; and
- Assignment of authority and responsibility.
2. Risk Assessment

Every organization faces a variety of risks from external and internal sources that must be assessed. A requirement of risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives. This forms the basis for determining how the risks should be managed. Because economic, regulatory, and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

3. Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the organization’s objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

4. Information and Communication

Pertinent information must be identified, captured and communicated to appropriate personnel on a timely basis. Information systems produce reports containing operational, financial, and compliance-related information. They deal not only with internally generated data, but also information concerning external events, activities, and conditions.

5. Monitoring

Internal control systems must be monitored by a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing activities and separate evaluations. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported to higher levels of management, with serious matters reported immediately to administration. The ultimate responsibility for a strong system of internal control rests with management. The internal control questions provided here should be used as a tool in assessing this system.
**Public Record advisory**

The Office of Legal Affairs has reviewed this document and recommended that all who complete this self assessment, either in writing or by electronic means, be cognizant of the Public Record provisions of Chapter 132 of the NC General Statutes. A completed copy may constitute a Public Record releasable to the general public upon proper request. This should not discourage anyone from using or completing the self assessment, since its intent is to display a willingness to assess our operations against established standards and to determine where improvements need to be made. Users are encouraged to consult the Office of Legal Affairs if queried by external parties on its contents.
Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.

**Internal Control Questionnaire**

YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

A. Integrity and Ethical Values

_____ _____ 1. Are the University’s policies concerning ethical behavior (i.e., Conflict of Interest, Use of University Equipment) practiced by all employees in your unit?

_____ _____ 2. Are the expectations of ethical conduct routinely communicated to all personnel in the unit?

_____ _____ 3. Are unit personnel routinely reminded of the anonymous or confidential means to report suspected improper activities as described in Policy Statement #803?

B. Commitment to Competence

_____ _____ 4. Are responsibilities clearly defined in writing by a job description and in performance evaluations and are such responsibilities consistently communicated?

_____ _____ 5. Have eligible supervisors attended LEAD (Leadership Enhancement And Development) training sponsored by the Human Resources Department?

_____ _____ 6. Do all supervisors ensure subordinate staff members are aware of available training opportunities and encourage professional development activities?

C. Management’s Philosophy and Operating Style

_____ _____ 7. Has management established overall objectives in the form of a mission statement, goals or other written operating statement(s)?

_____ _____ 8. Do you regularly compare actual performance with current goals and objectives?

_____ _____ 9. Are financial management performance measures routinely reviewed by senior management?
YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

____ ____ 10. Are unusual variances between the planned budget and actual expenditures examined and explained?

____ ____ 11. Does management promote a safety consciousness environment and report potentially dangerous conditions to the appropriate agency for correction?

D. Organizational Structure

____ ____ 12. Are written departmental policies and procedures periodically reviewed and approved by senior management and readily available for use by all employees?

____ ____ 13. Is there an organizational chart that clearly defines the lines of management authority and responsibility?

____ ____ 14. On at least an annual basis, does senior management review and update the organizational structure of the unit?

E. Assignment of Authority and Responsibility

____ ____ 15. Are sufficient training opportunities available to improve competency and update employees on new policies and procedures?

____ ____ 16. If known areas of knowledge are limited, has help been enlisted from peers, auditors or properly hired outside consultants to identify alternatives and suggest solutions?

____ ____ 17. Are specific limits established for certain types of transactions and delegations clearly communicated and understood by employees within the unit?

F. Human Resource Policies and Practices

____ ____ 18. Are individuals held accountable for satisfactory completion of performance elements described in their work plans?

____ ____ 19. Are job descriptions (and other documents that define key position duties/requirements) current, accurate and understood?
YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

20. Do those in your unit with supervisory duties have at least a working knowledge of the University’s HR policies and procedures?
http://legal.uncc.edu/chapter-100

21. Do appropriate supervisors conduct required annual evaluations based on current job descriptions and submit on time to Human Resources?

22. Are employees cross-trained to ensure the uninterrupted performance of critical functions?

23. IAW PIM 34, are terminated employees interviewed on departure to ensure that all keys, equipment, credit cards, etc. are returned by the departing employee?

G. General Financial

24. Are you and your department staff familiar with UNC Charlotte’s Financial Management Guidelines?

25. Within your unit, are the duties for authorizing purchases, submitting requisitions, receiving goods, approving invoices and reconciling accounts separated between two or more employees?

26. Are reconciliations of unit accounts against system reports prepared on a regular basis and reviewed by someone other than the preparer?

27. Are monthly telephone bills reviewed for accuracy and personal long-distance phone calls identified for reimbursement?

28. Are travel authorizations obtained prior to commencing official travel?

29. Do travel reimbursement forms reflect only authorized business travel expenditures?

30. Are travel reimbursements properly reviewed by the traveler’s supervisor, approved and submitted within 30 days of the conclusion of reimbursable travel?
H. Cash Handling

_____ _____ 31. Does your department use standard University receipts when funds are received for the University and provide a receipt copy to the payee?

_____ _____ 32. Are all cash receipts, including currency, checks and credit card payments, appropriately recorded and deposited intact into an authorized fund and account with the University Cashier’s Office in accordance with the requirements of the Daily Deposit Act and University policies?

_____ _____ 33. Are duties of opening mail, processing cash received by mail, deposit work-up, and actually making the deposit separated among at least 2 different individuals (i.e., one individual is not responsible all these activities)?

_____ _____ 34. Are the duties of collecting, processing, and depositing cash receipts performed by someone other than the person doing the monthly fund reconciliation?

_____ _____ 35. Are keys to cash boxes and/or restricted files limited to the minimum number of essential employees and kept secure at all times?

_____ _____ 36. Are all external bank accounts established only through the University Controller?

I. Payroll

_____ _____ 37. Are individual employee time and attendance records prepared and signed by each SPA FLSA-Subject employee for each pay period?

_____ _____ 38. Does an employee’s supervisor, or another designated individual who has specific knowledge regarding the hours worked by the employee, review the timesheets for accuracy and approve the individual time sheets?

_____ _____ 39. Are hours worked, overtime hours, compensatory time, and other special benefits (on-call, shift premium) reviewed and approved by the employee’s supervisor?

_____ _____ 40. Are employees required to prepare leave slips whenever they are absent from work?

_____ _____ 41. Does each employee’s supervisor approve leave slips and forward the original to Payroll?
YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

42. Are individual employee leave records reconciled, at least annually, to appropriate records maintained for accumulated employee benefits (vacation, sick leave, etc.)?

J. Safeguarding Assets

43. Are all department personnel routinely reminded of their individual responsibilities related to University property as described in Policy Statement #601.15?

44. Does each piece of capital equipment have an inventory control tag and its location recorded with the Fixed Assets Officer?

45. Has the department or college established a local tracking procedure for critical assets (e.g., laptops, digital cameras, and video projectors) not recorded as capital equipment?

46. Do department personnel safeguard University assets through use of appropriate security measures (e.g. locking desks, filing cabinets, offices, etc.)?

47. Is the Fixed Asset Officer notified of capital equipment that is scrapped, stolen, sold, traded in, loaned out, transferred or turned in as surplus?

48. Does the Department maintain records of University property on loan to an employee and use these records to ensure that all loaned University property (e.g., keys, laptop computers, cameras, cell phones, etc.) is returned prior to the employee’s termination date or before transferring to another department?

K. Administration of Sponsored Programs

49. Has at least one individual within the department been designated to administer external sponsored programs (i.e., any program sponsored and funded by external agencies) awarded to department faculty members?

50. Are effort reports prepared and submitted on a regular basis in accordance with University requirements?

51. Do effort reports reflect actual effort applied to sponsored programs, and not payroll distribution or appointment status (unless it is identical to actual effort)?

52. Are effort reports certified by the individual whose effort is being reported, or by someone with direct knowledge of the effort expended?
53. Are supply and equipment purchases using grant funds made in accordance with sponsoring agency and federal rules and the approved grant budget?

54. Are payments to vendors or subrecipients consistent with the contract or budgeted amount?

55. Does the Department maintain a central file location for the required documentation related to grants (matching expenditures, time & effort reporting, etc)?

56. Is the change fund or petty cash fund balanced daily to ensure cash and receipts equal the issued amount?

57. Are employees prohibited from using the change fund or petty cash fund to make loans (IOU’s), or to cash personal or payroll checks?

58. Is the change fund or petty cash kept locked in a secure location except when being used to accept funds or transact business?

59. Is the change fund or petty cash fund authorized balance assessed at least annually for the appropriateness to the supported activity (e.g., not too large or too small)?

60. For locally managed and maintained applications, is there documentation on the basic construction and functionality of the application and baseline performance data for future comparisons?

61. For locally managed and maintained applications, are there documented procedures that govern requesting, approving, granting and reviewing user access?

62. For locally managed and maintained applications, are there documented procedures that govern testing, approving and installing changes to the program software?
YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

_____ _____ 63. For locally managed and maintained servers, have environmental and physical security assessments been performed and appropriate corrective measures implemented?

_____ _____ 64. For locally managed and maintained web servers, are there documented procedures that govern content management and review to ensure compliance with University standards?

_____ _____ 65. For locally managed and maintained servers, are there documented procedures for routine data backup, disaster recovery and business continuity?

_____ _____ 66. For locally managed and maintained servers, are there documented procedures for regular review of access and error logs to detect potential security issues?

_____ _____ 67. Does the department or college have a standard security briefing for faculty or staff traveling away from campus with University equipment (laptops, I-pads, etc.)?

_____ _____ 68. Does the department or college have a standard security briefing for faculty or staff using University IT equipment from home (teleworking)?

_____ _____ 69. Are individual users reminded of compliance expectations with the following Information Technology policies: #307, Responsible Use of University Computer and Electronic Communications Resources; #311, Data and Information Security; #303, Network Security; #302, World Wide Web; and the supplemental regulations for each?

N. Purchasing

_____ _____ 70. Are department staff members with purchasing responsibilities familiar with the University’s online Purchasing Manual?

_____ _____ 71. Is the Purchasing Department consulted before contracts are signed?

_____ _____ 72. Are purchase orders or contracts approved by appropriately designated officials before issuance?

_____ _____ 73. Are changes to contracts or purchase orders subject to the same controls and approvals as the original agreement?
YES  NO  (Write N/A if Not Applicable, D/K for Don’t Know)

____ _____  74. Are purchases using University funds made only for valid business purposes?

____ _____  75. Are all purchases using University funds delivered directly to the department (e.g., no purchases are delivered to addresses other than the University)?

____ _____  76. Are vendor invoices checked for accuracy and agreement with purchase orders, contract terms, receiving reports, etc., to ensure proper payment?

____ _____  77. Are invoices received by the department submitted to Accounts Payable for payment in a timely manner?

____ _____  78. Are P-card purchases reviewed and reconciled monthly by someone other than the card holder?

O. Business Continuity Planning

____ _____  79. Have all members of the department been briefed within the last 180 days on the unit Continuity of Operations Plan (COOP) and individual preparedness measures?

P. Miscellaneous Department Operations

____ _____  80. Has the building emergency evacuation plan been disseminated to all employees and tested at least annually?

____ _____  81. Are documents maintained for the appropriate time period and disposed as prescribed by University retention policy (Policy #605.3)?

____ _____  82. Are all members of the department aware of University policies on conflicts of interest and how they impact potential research, business and other contractual relationships?

____ _____  83. Have any of your employees been designated as “essential employees” under the provisions of Policy Statement 701 and Personnel Information Memorandum #12, and are these employees aware of this designation?
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Updated August 2012