



UNC CHARLOTTE

***Guide
for
Self Assessment
of
Internal Controls***

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The Internal Audit Department

Updated July 2014

TABLE OF CONTENTS

TOPIC	PAGE
Introduction	<u>3</u>
Internal Control Overview	<u>4</u>
Elements of Internal Control	<u>5</u>
Public Record Advisory	<u>7</u>
Internal Control Self Assessment Questions	
A. Integrity and Ethical Values	<u>8</u>
B. Management Philosophy and Operating Style	<u>8</u>
C. Organizational Structure	<u>9</u>
D. Assignment of Authority and Responsibility	<u>9</u>
E. Human Resource Policies and Procedures	<u>9</u>
F. General Financial	<u>10</u>
G. Cash Handling	<u>10</u>
H. Payroll	<u>11</u>
I. Safeguarding Assets	<u>12</u>
J. Administration of Sponsored Programs	<u>12</u>
K. Change and Petty Cash Funds	<u>13</u>
L. Information Technology Management	<u>13</u>
M. Purchasing	<u>14</u>
N. Miscellaneous Operations	<u>15</u>

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 May 2013 Internal Control – Integrated Framework Executive Summary published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Defining Internal Control

Internal control is defined as follows:

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

This definition reflects certain fundamental concepts. Internal control is:

- Geared to the achievement of objectives in one or more categories—operations, reporting, and compliance
- A process consisting of ongoing tasks and activities—a means to an end, not an end in itself
- Effected by people—not merely about policy and procedure manuals, systems, and forms, but about people and the actions they take at every level of an organization to affect internal control
- Able to provide reasonable assurance—but not absolute assurance, to an entity's senior management and board of directors
- Adaptable to the entity structure—flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process

This definition is intentionally broad. It captures important concepts that are fundamental to how organizations design, implement, and conduct internal control, providing a basis for application across organizations that operate in different entity structures, industries, and geographic regions.

An effective system of internal control demands more than rigorous adherence to policies and procedures: it requires the use of judgment. Management and boards of directors' use judgment to determine how much control is enough. Management and other personnel use judgment every day to select, develop, and deploy controls across the entity. Management and internal auditors, among other personnel, apply judgment as they monitor and assess the effectiveness of the system of internal control.

Components of Internal Control

Internal control consists of five integrated components:

Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, develop retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control.

Risk Assessment

Every entity faces a variety of risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.

Control Activities

Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Information and Communication

Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

Monitoring Activities

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

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 all employees in your unit aware of the University's policies concerning ethical behavior (i.e., [Code of Ethical Conduct](#), [Conflict of Interest](#), [Use of University Equipment](#))?

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

____ ____ 3. Are unit personnel reminded of the anonymous or confidential means to report suspected improper activities as described in [Policy Statement #803](#)?

____ ____ 4. Are [Conflicts of Interest](#) (for EPA faculty and staff) and [Secondary Employment](#) (for SPA staff) identified and assessed according to university policy?

B. Management's Philosophy and Operating Style

____ ____ 5. Has management established overall objectives in the form of a mission statement, goals or other written operating statement(s)?

____ ____ 6. Do you regularly compare actual performance with current goals and objectives?

____ ____ **7. Are financial management performance measures routinely reviewed by senior management?**

____ ____ 8. Are unusual variances between the planned budget and actual expenditures examined and explained?

____ ____ 9. Does management promote a safety consciousness environment and report potentially dangerous conditions to the appropriate agency for correction?

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

C. Organizational Structure

____ ____ **10. Are written departmental policies and procedures periodically reviewed and approved by senior management and readily available for use by all employees?**

____ ____ **11. Is there an organizational chart that clearly defines the lines of management authority and responsibility?**

____ ____ 12. On at least an annual basis, does senior management review and update the organizational structure of the unit?

D. Assignment of Authority and Responsibility

____ ____ 13. Are sufficient training opportunities available to improve competency and update employees on new policies and procedures?

____ ____ **14. Are specific limits established for certain types of transactions and delegations clearly communicated and understood by employees within the unit?**

E. Human Resource Policies and Practices

____ ____ 15. Are individuals held accountable for satisfactory completion of performance elements described in their work plans?

____ ____ 16. Are job descriptions (and other documents that define key position duties/requirements) current, accurate and understood?

____ ____ 17. Have eligible supervisors attended LEAD (Leadership Enhancement And Development) training sponsored by the Human Resources Department?

____ ____ 18. Do all supervisors ensure subordinate staff members are aware of available training opportunities and encourage professional development activities?

____ ____ 19. Do those in your unit with supervisory duties have at least a working knowledge of the [University's HR policies and procedures](#)?

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

____ ____ **20. Do appropriate supervisors conduct required annual evaluations based on current job descriptions and submit on time to Human Resources?**

____ ____ 21. Are employees cross-trained to ensure the uninterrupted performance of critical functions?

____ ____ **22. IAW PIM 34, are terminated employees interviewed upon departure to ensure that all keys, equipment, credit cards, etc. are returned by the departing employee?**

F. General Financial

____ ____ 23. Are appropriate department staff familiar with UNC Charlotte's [Financial Management Guidelines](#)?

____ ____ 24. Within your unit, are the duties for authorizing purchases, submitting requisitions, receiving goods, approving invoices and reconciling accounts separated between two or more employees?

____ ____ **25. Are reconciliations prepared on a regular basis comparing unit accounts against system reports and reviewed by someone other than the preparer?**

____ ____ 26. Are monthly telephone bills reviewed for accuracy and are all toll calls reviewed to identify personal long-distance phone calls requiring reimbursement?

____ ____ 27. Are travel authorizations obtained prior to commencing official travel?

____ ____ 28. Do travel reimbursement forms reflect only authorized business travel expenditures?

____ ____ 29. Are travel reimbursements properly reviewed by the traveler's supervisor, approved and submitted within 30 days of the conclusion of reimbursable travel?

G. Cash Handling

____ ____ 30. Does your department provide a standard University receipt to the payee when funds are received for the University?

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

____ ____ **31. 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?**

____ ____ 32. 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)?

____ ____ 33. Are the duties of collecting, processing, and depositing cash receipts performed by someone other than the person doing the monthly fund reconciliation?

____ ____ 34. Are keys to cash boxes and/or restricted files limited to the minimum number of essential employees and kept secure at all times?

____ ____ 35. Are all external bank accounts established only through the University Controller?

H. Payroll

____ ____ **36. Are individual employee time and attendance records prepared and signed by each SPA FLSA-Subject employee for each pay period?**

____ ____ **37. Does an employee's supervisor, or another designated individual who has specific knowledge regarding the hours worked by the employee, review and approve the individual time sheets in a timely manner? ([See PIM 54](#))**

____ ____ 38. Are overtime hours, compensatory time, and other special benefits (on-call, shift premium) reviewed and approved by the employee's supervisor?

____ ____ 39. Are employees required to submit leave slips whenever they are absent from work?

____ ____ 40. Does each employee's supervisor approve leave slips and forward the original to Payroll?

____ ____ 41. Are individual employees encouraged to use Banner Self Service to track leave taken and address discrepancies with the Payroll Office?

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

I. Safeguarding Assets

____ ____ 42. Are all department personnel reminded of their individual responsibilities related to University property as described in [Policy Statement #601.15](#)?

____ ____ **43. Does each piece of capital equipment have an inventory control tag and its location recorded with the Fixed Assets Officer?**

____ ____ 44. 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?

____ ____ 45. Do department personnel safeguard University assets through use of appropriate security measures (e.g. locking desks, filing cabinets, offices, etc.)?

____ ____ 46. Is the Fixed Asset Officer notified of capital equipment that is scrapped, stolen, sold, traded in, loaned out, transferred or turned in as surplus?

____ ____ 47. 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?

J. Administration of Sponsored Programs

____ ____ **48. Are effort reports prepared and submitted on a regular basis in accordance with University requirements?**

____ ____ 49. Do effort reports reflect actual effort applied to sponsored programs, and not payroll distribution or appointment status (unless it is identical to actual effort)?

____ ____ 50. Are effort reports certified by the individual whose effort is being reported, or by someone with direct knowledge of the effort expended?

____ ____ **51. Are supply and equipment purchases using grant funds made in accordance with sponsoring agency and federal rules and according to the approved grant budget?**

____ ____ 52. Are payments to vendors or subrecipients consistent with the contract or budgeted amount?

____ ____ 53. Does the Department maintain a central file location for the required

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

documentation related to grants (matching expenditures, time & effort reporting, etc)?

K. Change and Petty Cash Funds (applies only to departments with issued funds)

____ ____ 54. Is the change fund or petty cash fund balanced regularly to ensure cash and receipts equal the issued amount?

____ ____ 55. Are employees prohibited from using the change fund or petty cash fund to make loans (IOU's), or to cash personal or payroll checks?

____ ____ **56. Is the change fund or petty cash kept locked in a secure location except when being used to accept funds or transact business?**

____ ____ 57. 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)?

L. Information Technology Management

____ ____ 58. 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?

____ ____ 59. For locally managed and maintained applications, are there documented procedures that govern requesting, approving, granting and reviewing user access?

____ ____ 60. For locally managed and maintained applications, are there documented procedures that govern testing, approving and installing changes to the program software?

____ ____ 61. For locally managed and maintained servers, have environmental and physical security assessments been performed and appropriate mitigating measures implemented?

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

____ ____ 62. For locally managed and maintained web servers, are there documented procedures that govern management and review of page content to ensure compliance with University standards?

____ ____ **63. For locally managed and maintained servers, are there documented procedures for routine data backup, disaster recovery and business continuity?**

____ ____ 64. For locally managed and maintained servers, are there documented procedures for regular review of access and error logs to detect potential security issues?

____ ____ 65. Does the department or college have a standard security briefing for faculty or staff traveling away from campus with University IT equipment (laptops, I-pads, etc.)?

____ ____ 66. Does the department or college have a standard security briefing for faculty or staff using University IT equipment from home (teleworking)?

____ ____ **67. Are individual users reminded of compliance expectations with University Information Technology policies and required to complete the [online security awareness training modules](#)?**

M. Purchasing

____ ____ 68. Are department staff members with purchasing responsibilities familiar with the University's [online Purchasing Manual](#)?

____ ____ 69. Is the Purchasing Department consulted before contracts are signed?

____ ____ **70. Are purchase orders or contracts approved by appropriately designated officials before issuance?**

____ ____ **71. Are changes to contracts or purchase orders subject to the same controls and approvals as the original agreement?**

____ ____ 72. Are purchases using University funds made only for valid business purposes?

____ ____ 73. Are all purchases using University funds delivered directly to the department (e.g., no purchases are delivered to addresses other than the University)?

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

____ ____ 74. Are vendor invoices checked for accuracy and agreement with purchase orders, contract terms, receiving reports, etc, to ensure proper payment?

____ ____ 75. Are invoices received by the department submitted to Accounts Payable for payment in a timely manner?

____ ____ 76. Are P-card purchases reviewed by the designated official(s) for appropriate University purpose and accurate expense accounting?

N. Miscellaneous Department Operations

____ ____ 77. 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?

____ ____ **78. Has the building emergency evacuation plan been disseminated to all employees and tested at least annually?**

____ ____ 79. Are documents maintained for the appropriate time period and disposed as prescribed by University retention policy ([Policy #605.3](#))?

____ ____ 80. 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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