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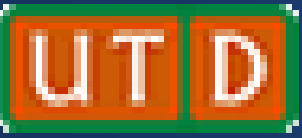
The Training Post

*An Educational
Computer Based Training Program*



Effectively Controlling Risks





Effectively Controlling Risks

- 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**.



Risks

Controls

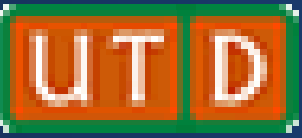
This training is required annually for all employees who are responsible for managing accounts and/or have signature authority.

Why Do We Need to Understand Internal Controls?



- Highly publicized frauds at other universities have caused concerns among U.T. System and component administrators.
- What was determined to be the problem?

WEAK 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





Ensuring an Effective Control Environment

Management is responsible for establishing an effective control environment, or ethical “tone” at the top. This includes the integrity and ethical values of its people, their competence, and the way they do business. A control conscious environment ensures employees are aware of the following:

- [Standards of Conduct Guide](#)
- [Regents’ Rules](#), [Business Policy Memoranda](#), etc.
- Department standards of conduct
- [UTD Policies and Procedures](#)
- Departmental policies and procedures, job descriptions
- [Conflict of Interest](#)--disclosure forms
- [Ethics Guide](#)
- Zero tolerance of fraud and conflicts of interest
- [Letter to Faculty and Staff from Dr. Daniel](#)



Setting Objectives

Departments must define their goals and objectives, considering both the department's and UTD's:

- Mission
- Operations
- Financial reporting
- Compliance
- Significant activities or processes

Assessing Risks



- 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 UTD 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

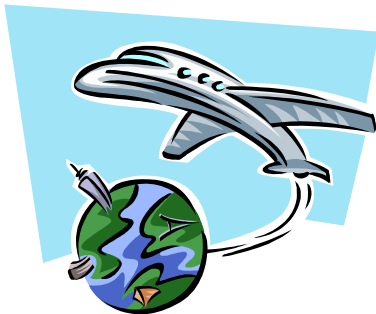
Identify and analyze potential risks by asking certain questions:

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



Assessing Risks

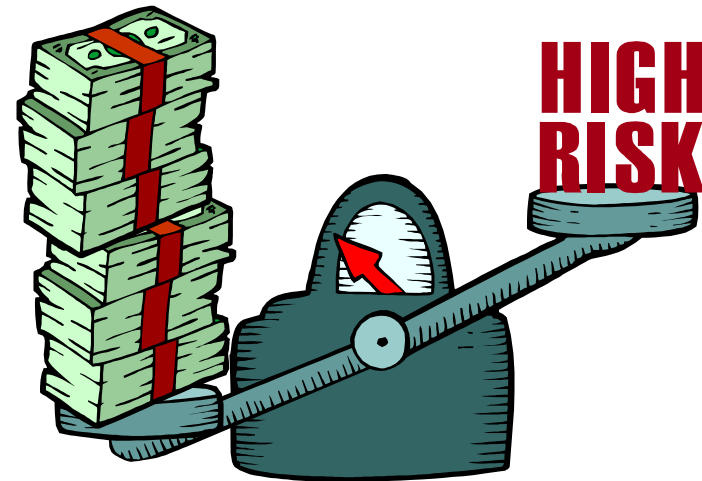
Types of high risk transactions:



- 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



Communicating Information

- 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.

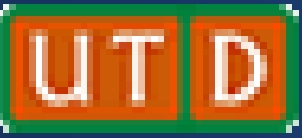
Monitoring activities include:

- ❖ 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 the Office of Audit and Compliance at 2693.



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 UTD
Hotline:

1-888-228-7707

website: **The Network's Web Reporting System**

Other important references:

UT System Fraud Policy

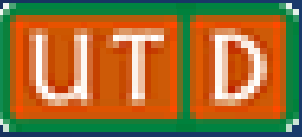
Governor's Executive Order on Fraud



Effectively Controlling Risks Summary

What does all this have to do with me?

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



Effectively Controlling Risks

Where Can I Learn More?

- Your supervisor.
- The Office of Audit and Compliance at 2693.
- UT System Action Plans to Enhance Internal Controls
- COSO (Committee of Sponsoring Organizations) *Internal Control – Integrated Framework*



Test Your Knowledge

Following are several questions to test your knowledge of the information presented.

Answer all questions correctly to receive credit for the training.

Question #1

Which of the following are components of the internal control process?

ESTABLISHING A CONTROL ENVIRONMENT

ASSESSING RISKS

BOTH OF THE ABOVE



SORRY TRY AGAIN

REVIEW

Question #2

Management is not responsible for establishing an effective control environment.

TRUE

FALSE



SORRY TRY AGAIN

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Question #3

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

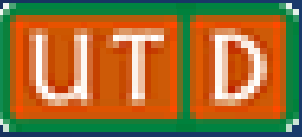
True

False



SORRY TRY AGAIN

REVIEW



Question #4

Some examples of control activities at UTD include reconciliations and having written policies and procedures.

TRUE

FALSE



SORRY TRY AGAIN

REVIEW

Question #5

UTD has a fraud policy, and I understand my responsibilities to report fraudulent activities if suspected.

TRUE

FALSE



SORRY TRY AGAIN

REVIEW

Thank you for completing the questions related to Effectively Controlling Risks.



Click on the button below to complete this module and receive credit for this course.

[Click Here to Receive Credit for This Course](#)

Congratulations!



You have completed your
compliance training on
Effectively Controlling Risks



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