The Importance of ‘Tone at the Top’

OR

Internal Controls

What Are They And

Why Should I Care?
Three Concepts that Supervisors should understand:

1. The supervisor is responsible for the internal controls in their area.
2. The supervisor’s attitude significantly impacts their employees attitude.
3. The supervisor designs the internal control system.
Who is Responsible for Internal Controls?

The Supervisors are responsible for controls in their area of influence.
Foundation for Good Internal Controls

Control Environment
It is important to understand that your attitude as the supervisor will set the standard that will impact the actions of your employees.
Special note for supervisors:

Allowing conditional adherence to rules and regulations sends a message to your employees that rules can be ignored.
Control Environment or Ethical Climate is Established by:

- Examples set by leaders
- Core values of the institution
- Rewarding those who appropriately raise issues
Good Control Environment

Management Ensures that:

- Information and communication flows freely between employees and the supervisor.
- Management is responsive.
- Responsibilities are well defined and reasonable.
- Employees are given the necessary tools to do their job.
Special note for supervisors:

It is important that our communications with our employees are clear and consistent. Be careful that the messages you send verbally are consistent with written policies.
Risk Assessment

Identify What Needs to be Protected

Risk Assessment

Control Environment
Risk Assessing Issues..

Consideration should be given to:

- Protecting assets.
- Ensuring Accuracy of records.
- Promoting operational efficiency.
- Encouraging adherence to policies, rules, regulations, and laws.
- Reducing the opportunity for fraudulent activity.
We protect assets everyday

Personal Controls:
- Lock homes & vehicles
- Keep PIN numbers secure
- Keep checkbooks and cash secure
- Review bills before paying

University Controls:
- Lock offices & cabinets
- Keep passwords confidential
- Check stock is kept in a secure location
- Supporting documentation for transactions should be reviewed
Control Activities are:

Actions Taken to Control Risk

Control Activities

Risk Assessment

Control Environment
Control Activities--Access Controls Include:

1. Ensuring Employees have appropriate:
   - System Access
   - Physical Access (Keys)
   - Safe Combinations

2. All Access is Terminated when Employees Leave

3. Duties are Segregated

4. A System for Authorizing Activities is Developed
Activity Controls--Process Controls Include

- Reconciliations
- Logs
- Checklists
- Backup procedures
- Contracts
One person’s responsibilities are restricted so that they can’t both cause and conceal errors. For example one person doesn't record the transaction, make the deposit, and reconcile the bank statement.
Ensures Control System is Functioning Appropriately
Monitoring Methods

- Status and Exception Reports
- Process Reviews
  - Departmental
  - Internal Audit
  - External Review
- Feedback processes
  - Hotlines
  - Surveys
  - Employees/Customers
Internal Audit is located in Old Main, Room 415

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