



Internal Controls Accounting

***What To Expect
When We Review
Your Financial
Processes***

Management's Implicit Assertions

- **Existence or Occurrence**
- **Completeness**
- **Rights and Obligations**
- **Allocation**
- **Presentation and Disclosure**

A Comprehensive Framework: The Five Elements of Internal Controls

- **Risk Analysis: PLAN - Focus limited resources for best results**
- **Communication: DO – Set the tone at the top to support internal controls**
- **Environment: DO – provide the opportunity for honesty in transactions and Sentinel activities**
- **Monitoring: CHECK – Maintain process integrity**
- **Implementing Controls: ACT – Emplace recommended controls and process enhancements**

Pre-Review Orientation Meeting

Attendees should include:

- **The manager of the process and those staff members whose work will be affected by our process review and recommendations.**
- **Staff members from Internal Controls Accounting**
- **A representative from College Finance (the Director or a designee)**

Pre-Review Orientation Meeting, continued

- **We explain our purpose and how we do our work**
- **We review your roles in developing, implementing and maintaining effective financial controls**
- **You share your existing written policies and procedures, plus any internal control concerns you currently have**

Pre-Review Orientation Meeting, continued

We jointly:

- **plan a timeline for our process study**
- **agree on which of your staff we will interview to understand and document your financial processes**
- **develop a framework for ongoing communication during our study**

To understand your processes we need to learn

- Who is responsible for performing each step of the process
- What exactly is involved in performing each step in the process
- What is the documentation resulting from performing the process

We generally employ multiple techniques, including

- **Reviewing your current written policies and procedures**
- **Interviewing staff who perform specific financial duties about what they do**
- **Observing staff while they perform financial tasks**
- **Performing some of your financial tasks ourselves**

Confirming our Understanding of Your Processes

- **We will be asking you to verify that our written description of your processes reflects what you actually do**
- **We will likely ask you to review our documentation more than once**

Analysis and Evaluation of Your Current Processes

*We compare your current processes to
“best practices” at other colleges and
public institutions*

- Many colleges make their control procedures available on the Internet
- The Government Finance Officers' Association (GFOA) publishes “model” procedures for financial activities

***We assess the adequacy of
your current controls in relationship
to professional accounting standards***

- **The American Institute of Certified Public Accountants (AICPA) publishes standards for accounting controls**
- **The National Association of College and University Business Officers (NACUBO) publishes specific control guidelines for college accounting systems**
- **Our department also utilizes professional accounting reference guides**

***We estimate the costs and benefits
of any internal control enhancements
we are recommending to you***

- **Our goal is to help you provide Lane the most effective financial controls that are affordable**
- **While remembering: the benefits of any proposed controls must always outweigh their cost**

We analyze your financial processes for potential efficiency improvements

- **We may be able to help you simplify some aspects of your work**
- **You may also be able to eliminate certain tasks when new compensating controls are implemented**
- **We will estimate the dollar amount of efficiency gains that we propose**

Meeting To Review Our Preliminary Recommendations

The purposes of this meeting are to:

- **Make certain that we have correctly documented your current processes**
- **Ensure that you fully understand any control improvement recommendations that we propose**

Meeting To Review Our Preliminary Recommendations

- **Provide a forum in which to discuss the relative costs and benefits of our proposed control recommendations**
- **We discuss new financial process challenges that may have emerged subsequent to the interviews**

Attendees should include

- **The manager of the process and those staff members whose work will be affected by our process recommendations**
- **Staff members from Internal Controls Accounting**
- **A representative from College Finance (the Director or a designee)**

Draft of Recommendations for Management Review and Response

Draft recommendations report will be distributed to:

- **The process manager(s)**
- **The Director of College Finance**
- **Any manager(s) with supervisory financial responsibilities**
- **The Vice President for College Operations (a courtesy copy)**

We will ask each of you to respond in writing within 2 weeks by

- **Agreeing to implement the recommendation(s), or**
- **Disagreeing and stating your reasons for disagreeing**

Issuing the Final Study

- We will insert your response(s) into our draft and
 - Re-issue it as a “Study” which is our final product
- Recipients will be the same as the Draft Recommendation recipients

What Internal Controls Does with the Study

- **Posts the Executive Summary and management response to the Internal Controls Accounting website**
- **Retains a paper copy of the full Study in our permanent archive of college financial processes and procedures**

Post-Review Meeting To Discuss Our Recommendations And Possible Implementation Strategies

- **Process manager(s) need more information on specific recommendations before implementation**
- **Process manager(s) want to discuss pros and cons of alternative methods for implementing recommendation(s)**
- **Process manager(s) want to collaborate with Internal Controls Accounting in planning and implementing recommendations**

Follow up Activities

- **We will return to evaluate your revised processes shortly after you implement agreed-upon change(s)**
- **This is an essential component of the PDCA (Plan, Do, Check, Act) process**

Concluding the Review Process

- **We will ask you to evaluate the services we have provided**
- **If you encounter new problems with any of your financial policies or procedures, please contact us; we would like to help.**
 - Internal Controls Accounting: <http://lanecc.edu/ic/>
 - Laura Martin: martinl@lanecc.edu 463.5795
 - Greg Morgan: morgang@lanecc.edu 463.5516