Farmingdale State College
Internal Control Program

Employee Training

Presented to:
Farmingdale State College
Line Staff

Delivered by:
Internal Control Officer
Why Internal Controls?

• It’s the law!
  - NYS Governmental Accountability Audit and Internal Control Act of 1987
    • Requires all state agencies to institute an internal control program.
  - The Division of the Budget’s Budget Policy and Reporting Manual Item B-350
    • Requires all state agencies to perform certain internal control responsibilities, including the completion of an annual certification demonstrating that they are in compliance with the Internal Control Act.
Why Internal Controls? (cont.)

• It’s the law!
  - As of 2013-2014, agencies will also be required to submit a separate certification to the Office of the State Comptroller (OSC) demonstrating the adequacy of internal controls over the payment/procurement process.
Key Elements For An Organization

- Well defined mission - provides direction and stability
- Accountability (at all levels)
- Prioritization and proper application of resources
- Communication
College Mission and Objectives

Farmingdale State College’s Mission and Objectives are located at:

http://www.farmingdale.edu/about/mission.shtml
Accountability

• Key component at all levels for an effective organization

• **Everyone** has a role to play in an internal control system
Communication

- **Communication** is the exchange of useful information between and among people and organizations.
- Communication should be timely, useful and complete.
- Lines of communication should be up, down, and across an organization.
- Staff should be able to communicate problems and suggestions - *and* be empowered to act, within guidelines.
- Responsibilities should be clearly communicated and well-defined.
Internal Controls...

- Improve the likelihood that the right things happen and the wrong things don’t
- Are safeguards, but they do not guarantee success
- Will succeed or fail depending on the attention people give it
- Are a process, not just a set of rules
- Are built into an organization, not an added feature - part of the culture
- Impact every aspect of the organization
Why Are Internal Controls Important?

C - COMPLIANCE with applicable laws/policies
A - ACHIEVEMENT of the entity’s mission
R - RELEVANT and reliable data
E - ECONOMICAL and efficient use of resources
S - SAFEGUARD assets
Internal Controls at Farmingdale State College are designed:

• To reduce the likelihood that errors or irregularities will occur and/or go undetected, and

• To provide REASONABLE ASSURANCE that the organization will achieve its objectives and mission
Internal Control Process

1) Identify Assessable Units/Functions of the College
2) Assess Risk/Vulnerability of each Unit
3) Conduct Internal Control Reviews
4) Take Corrective Action
Risk

- Risks are events that threaten the achievement of the College’s objectives and mission
- We must ensure each risk is assessed and handled properly

The cost of internal control should not exceed the benefit derived
Internal Control Review

An Internal Control Review is the process of checking whether or not controls work by:

1) Evaluating if controls are adequate

AND

2) Testing whether procedures are followed
Internal Control Testing

Makes sure controls are:

1) Actually being used as designed

AND

2) Meet the control objective
Control Activities

• Tools or processes that help prevent or reduce the risks that can impede accomplishment of the College's objectives and mission

• Can be manual or automated
Types of Internal Controls

There are two types of internal controls:

- **Preventive controls** - designed to keep errors or irregularities from occurring in the first place.

- **Detective controls** - designed to detect errors and irregularities which have already occurred and to assure their prompt correction.
Examples of Internal Controls

• Documentation
• Authorization/Approvals
• Verification
• Separation of Duties
• Supervision/Monitoring
• Security
• Reporting
Internal Controls can fail because:

- Management can process inappropriate overrides
- Collusion - two or more employees working together to commit fraud
- Poor judgment
- Mistakes/misunderstandings of policies and procedures
Areas with Weak Controls

Some signs of weak controls:

- Can’t meet deadlines for providing information
- Incorrect or unclear information
- Unusually high employee turnover
- Crowded, poorly organized files
- Poor employee morale
Real-Life Examples of Internal Control Breaches

1. A clerical employee copied travel and other receipts, forged a faculty member’s signature, and simultaneously submitted them to both the state and the campus foundation for reimbursement.

2. An employee altered checks received from students and deposited the checks into her own bank account.

3. A unit manager sold surplus material, told his employees to accept cash only and then pocketed the cash.
Who Is Responsible For Internal Control?

• EVERYONE

• Senior management: Makes sure controls are in place in all areas

• Employees follow controls, and report problems or improvements
Employee Responsibilities

- Fulfilling the duties and responsibilities stated in their job descriptions
- Meeting performance standards
- Attending education and training programs
- Taking steps to protect assets against waste, loss, unauthorized use and theft
- Reporting breakdowns in internal control systems to a supervisor
- Looking for more efficient ways to perform the controls
- Not using their position to secure unwarranted privileges
Responsibilities of Managers

• Strengthen the control environment

• Document the policies, procedures, and day-to-day processes

• Identify the control objectives for those processes:
  • Ensure accurate, reliable, and timely financial and management data;
  • Ensure adherence to laws, regulations, and management directives;
  • Safeguard resources against loss due to waste, abuse, and fraud

• Implement cost effective controls designed to meet those objectives

• Regularly review the controls to determine if they meet the objectives
Summary

• All Employees Have Responsibility for Internal Controls

• It’s Not Rocket Science

• It’s Not Just a Good Idea - It’s the Law!
  – The New York State Internal Control Act of 1987 requires all State-operated campuses to establish and maintain a system of internal controls and an ongoing internal control program.
Internal Control Office
Contact Info

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Internal Control Hotline

Confidential and anonymous means of reporting suspected fraud, waste, abuse or irregular activities.

631-420-2083

or

http://www.farmingdale.edu/administration/administration-finance/fraud-hotline/index.shtml