Internal Controls
Uniform Circular Audit Findings and
What is Internal Audit?
Focus on Finance – June 23, 2016

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Internal Controls

Why?

• In TN management is responsible for internal controls per the TN Financial Integrity Act.
  (Link: TN Financial Integrity Act)

• Required by the new COSO Internal Controls framework (this is evaluated in external audits of the University’s financial statements – for us the “state auditors” for others CPA firms)
  (Link: COSO Framework)

• To ensure financial activity is accurate and stakeholder funds are expended as required by stakeholders.
Why?

Sometimes we hear “we are doing this because internal audit is saying we have to do this.”

That is always a bad reason to be doing something. If you are doing something that seems inefficient or don’t understand why --- contact the management area responsible for that control activity to discuss why you are doing this activity.
Internal Controls

Who?

Our stakeholders are students, parents, donors, taxpayers, federal agencies, and others who fund research.

Who is responsible at UOM for internal controls?

President, executive management, deans, directors, department heads, business officers, designees and anyone who is approving financial transactions, time sheets or webtime reports (Note: Internal Audit does not dictate or establish internal controls for an organization)
What, Where and How?
At UOM internal controls are primarily found in our policies and procedures.

Examples:
Cash Handling Guidelines
Pcard Guidelines
Procurement and Contract Services (UM1507)
Equipment Inventory (UM1772)
Charges to Sponsored Agreements (UM1719)
Conflict of Interest (UM1692)
Timekeeping and Leave Reporting (UM1262)
How do you find policies and procedures at UOM?

Go to UOM main page and type “policies” into search block at right top corner of UOM home page. Can also use the search box for any policies and procedures you are trying to locate. The policies have “Responsible Office”, “Responsible Official” noted and sometimes a FAQ section. Contact that office or official for questions. If you see policies and procedures that potentially need revision contact the “Responsible Office” listed or the Policy Review Board (Office of Legal Counsel 678-2155)

Link: http://umwa.memphis.edu/umpolicies/index.php
Internal Controls Self Assessment Checklist

An internal control self assessment checklist is on the Internal Audit website.

http://www.memphis.edu/audit/

Go to “Other Documents and Links”
Uniform Guidance Past Audit Findings

Formerly known as the “Single Audit” or “A-133 Audit”. Annual audit of federal funds by external auditors. Typically performed by a CPA firm but in TN this is done on a state-wide basis by the state auditors.

If you have federal grants in your key areas to focus attention are:

- Effort Reporting & Certification (UOM policy UM1676) (payroll charges to grants)
- Subrecipient Monitoring (UOM policy UM1721 - “Subagreements Issued to a Third Party)
What is Internal Audit?

Do you think that Internal Audit…………………
• Conducts the University's annual financial audit?
• Is part of Business and Finance?
• Only counts supplies and looks for equipment ?
• Develops and issues policies and internal controls Issues “rules” for departments to follow?
  Does criminal investigations?

All are false and common misconceptions about Internal Audit.

Internal Audit is independent and reports to the Board Audit Committee and does do………………

✓ Financial and operational audits as part of an annual risk-based audit plan approved by the Board Audit Committee. External auditors perform the University’s annual financial audit.
✓ Other audits and consulting projects requested by the Board, President or University Executive Management.
✓ Provide advice on policies and internal controls and serve in an advisory capacity on committees.
✓ Investigations of fraud, waste and abuse from the hotline…but not investigations involving criminal activity, HR issues and discrimination issues. We refer those to the applicable area and Internal Audit may assist in some cases.
To Report Suspected Fraud, Waste or Abuse

Options for reporting at the University include:

1. Telling your supervisor.

2. Notifying a University Official

NOTE: Go to a Supervisor or University Official first – If possible.

3. Contacting Internal Audit at 678-2125 or UoM_audit@memphis.edu or use the online form on the Internal Audit website.

www.memphis.edu/reportfraud
To Report Suspected Fraud, Waste or Abuse (cont)

University of Memphis Internal Audit Website URL for Fraud

www.memphis.edu/reportfraud

When Reporting Suspected Fraud:

- Reporting must have reasonable grounds to suspect fraud, waste or abuse is occurring. (no false accusations).

- Protection from Retaliation - State law (T.C.A. § 8-50-116)

- Confidentiality Protected – State Law (T.C.A. § 49-14-103)

The Report May be Made Anonymously
QUESTIONS

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