



## **Internal Control Testing**

### **Objectives**

Implement processes on campus to ensure ethical and reliable financial reporting, effective and efficient financial operations, and compliance with applicable financial laws and regulations. There are several controls put in place that safeguard assets against theft, unauthorized use, acquisition, disposal, waste, or inefficient use.

### **Policies**

Through guidance of the Audit Committee of the Board of Trustees and the recommendations of our Auditors, Anderson University has adopted the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for internal control procedures.

Since 1992, COSO's framework and publishing have been used around the world. The committee believes this framework will enable organizations to effectively and efficiently develop and maintain a system of internal control that can enhance the likelihood of achieving an entity's objectives and adapt to changes in the business and operating environments.

### **Procedures**

Over the course of the year, the Business Office will be performing several internal control tests to give reasonable assurance that processes on campus are operating with efficient and effective key control activities. Several departments and offices will be asked to cooperate with the Business Office staff throughout the year with testing procedures. Testing methods vary from observing processes to sampling documentation and process activities. Most testing periods fall on a bi-annual schedule but there are others that vary. Every transaction through MasterCard and all campus requisitions are reviewed thoroughly for accuracy and appropriate allocations.

Keep in mind that the internal control process is a means to an end, not an end in itself. Please be cooperative and patient with the Business Office staff while internal control testing is taking place throughout the year.

## **Definitions**

- Internal Control:** Process to provide reasonable assurance that the following objectives will be achieved:
- That the University has effective and efficient operations
  - That the University has ethical and reliable financial reporting
  - That the University is in compliance with applicable laws and regulations
  - That the University safeguards its assets
- Control Components:** The five components published by COSO that sets a basis for developing business control systems and assessing their effectiveness:
- Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring Activities
- Control Environment:** The control consciousness of the people within the organization which is the basis for all other control components.
- Risk Assessment:** Refers to the University's identification, analysis, and management of the risks that are related to potential events that would impact campus activities that aim at achieving University objectives.
- Control Activities:** Specific policies and procedures management uses to achieve its objectives:
- Segregation of Duties
  - Authorization
  - Reconciliation
  - Adequate Documents and Records
  - Physical Controls
- Information:** Refers to the nature and quality of information needed for effective controls.
- Monitoring Activities:** The process of assessing the presence and functionality of internal control components to make continuous improvements.

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