



Business Operations

*“Supporting Yale Together”*

*Semi-Annual Meeting (BOSAM)*

*November 13, 2008*

*The Top 5+ Internal Control Issues*

## **The Top 5+ Internal Control Issues**

### **Segregation of Duties**

- ▶ Not understanding and performing the functions of the approver, (by the appropriate approver).
  - Do you understand what it means to approve something? You have to understand your role in the process. If you don’t understand your role, you must find out what it is. If you are uncomfortable in your role, you must get comfortable or relinquish your responsibilities in that role.
  - Are you willing to enquire if you don’t understand something? You must understand what the expense or transaction is for. You must always determine if it is appropriate and if it is a legitimate business expense for the University.
  - Can you say no if you don’t believe the item you’re approving is appropriate?
  - Require that only the appropriate level of authority should perform specific functions (e.g. we allow the administrative assistant to approve his/her supervisor’s expense report).
  
- ▶ Not understanding and performing the functions of the preparer/initiator.
  - Do you understand your role? You have to understand your role in the process. If you don’t understand your role, you must find out what it is. If you are uncomfortable in your role, you must get comfortable or relinquish your responsibilities in that role.
  - Are you willing to ask questions if you don’t understand the transaction?
  - Are you willing to bring issues/concerns to another level?
  - Will you document the appropriateness of the transactions, etc, if it is not obvious? Transactions that are not clear as to their nature and purpose must be documented so the initiator does not have to be available to explain the nature of the transaction and the purpose.
  
- ▶ Not getting another appropriate person involved in an issue, transaction, etc., when necessary (escalation).
  - If you are uncomfortable about anything, are you willing to seek advice and counsel before the transaction is complete or the issue is resolved?
  - Bring issues, concerns to another level before processing the transaction.

- ▶ Inadequate/Lack of Supporting Documentation (e.g., bidding, itemized receipts).
  - Also lack of documentation stating the purpose and nature of transactions that are not self explanatory.
  
- ▶ University Policies and Procedures.
  - Lack of understanding.
  - Inconsistencies (multiple sets, outdated, not aligned).
  
- ▶ Not setting the appropriate “tone at the top” within a department, school, etc.
  - Are you willing to support good internal controls and lead by example?

**Others:**

- ▶ Approval Authority
  - Transaction approvers not familiar with activities; management unable to explain transactions which they approved.
  - Undocumented Delegation of Approval Authority/Workflow.
  
- ▶ Lack of Monitoring/Management Oversight
  - No/Inadequate/Inconsistent Monthly Financial Review.
  - Need to put proper balance of detective and preventive controls in place.
  - Don’t ask enough questions to determine if a transaction is appropriate (no matter what the dollar amount is).
  
- ▶ Need for Additional Training
  - Use University resources to their fullest extent.