SUNY Maritime College
Internal Control Program
Training

Presented to:
SUNY Maritime College
New York

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Internal Controls
Why Internal Controls?

It is the LAW!
New York State’s 1987 Internal Control Act

✓ Requires all state agencies including SUNY to Establish and Maintain guidelines for a system of internal controls

✓ Establish and Maintain an IC system and internal control review process

✓ Make a clear and concise statement of managerial policies and standards available to all employees
New York State’s Internal Control Act

- Designate an Internal Control Officer
- Provide Internal Control education and training
- Periodically evaluate the need for an internal audit function
INTERNAL CONTROLS...

What are they?????
Internal Controls Are:

THE SAFEGUARDS, an organization’s policies, procedures and practices, AND MANAGEMENT OVERSIGHT DESIGNED TO:

- Prevent, detect, and correct program and operational breakdowns
- Ensure that goals are met
- First line of defense to prevent and detect fraud
Internal Controls Are *Common Sense*

What do you worry about going wrong?

What steps have been taken to assure it doesn’t?

How do you know things are under control?
Internal Controls
(In other words):

Anything you do to:

- safeguard assets or
- to make efficient or effective use of these assets or programs.

Help protect us from risks - the things that could go wrong and prevent us from accomplishing our goals.
Examples of Internal Controls:

You probably practice good internal controls every day without thinking of them as internal controls. Few examples of IC are:

- Locking your desk and office when going out
- Keeping your computer passwords secret
- Verifying the accuracy of another staff’s work
- Depositing receipts daily
- Following rules and regulations
- Documenting your work or steps taken, hours worked, etc.
Some Facts on Internal Controls ...

- Are safeguards, but they do not guarantee success
- Reflect the qualities of management – good and bad
- Will succeed or fail depending on the attention people give it
- Are built into an organization, not an added feature – part of the culture
- Impact every aspect of the organization
New York State’s Internal Control Program

Internal controls consist of five interrelated components:

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring and Feedback

For more information on COSO and New York’s IC Standards visit www.osc.state.ny.us/audits/audits/controls/standards.htm
An Effective Control Environment

Is a product of…

- Management’s philosophy, style and supportive attitude
- Competence
- Ethical values
- Integrity
- Morale of the organization’s people
- Organizational structure
- Accountability relationships
Risk Assessment

**Risks**

= events that threaten the achievement of the College’s objectives and mission.

**Example of Risk:**

*College may pay for goods or services that it does not receive*

**Risk assessment**

= the process of identifying, evaluating and determining how to manage these events
Managing Risk

To have reasonable assurance that the College will achieve its objectives, management should ensure each risk is assessed and handled properly.

The cost of internal control should not exceed the benefit derived.
Control Activities

- **Control activities** are tools or processes - both manual and automated - that help prevent or reduce the risks that can impede accomplishment of the College's objectives and mission.

- Management should establish control activities to effectively and efficiently accomplish the College's objectives and mission.
Examples of Control Activities

- Admission process
- Purchase requisition process
- Accounts payable process
- Property control process
- Personnel process
- Payroll timekeeping process
Types of Controls and Examples

- **DOCUMENTATION** - Policies and procedures
- **RECORDS** - Recording transactions & events
- **AUTHORIZATION** - Approving transactions
- **STRUCTURE** - Separation of duties
- **SUPERVISION** - Monitoring control objectives
- **SECURITY** - Safeguarding resources
Information & Communication

- 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 empowered to act within guidelines.

- Responsibilities should be clearly communicated and well-defined.
Monitoring and Feedback

- Monitoring is the review of the College’s activities and transactions to assess the quality of performance over time and to determine whether controls are effective.

- For monitoring to be most effective, all employees need to understand the College's mission, objectives, responsibilities, and risk tolerance levels.
Maritime College Mission Statement

The Maritime College is a small, prestigious, specialized college of the State University of New York. Its mission is to provide:

- A learning environment that stimulates intellectual growth, scholarship, and creativity.
- An innovative, "hands-on" approach to instruction directed by a dedicated faculty composed of experts in their fields,
- Quality undergraduate and graduate programs in international business, engineering, science, and technology, with particular emphasis on the maritime industry,
- A structured community which emphasizes responsible citizenship and self-discipline and which maximizes opportunities for exercising leadership,
- The opportunity for its graduates to qualify for licensure as merchant marine officers and for commissioning in the United States Armed Forces,
- Through its graduates, a quality workforce and prospective leaders for the state, nation, and maritime and international business community, and
- A nationally and internationally recognized resource of expertise in its specialized disciplines as they relate to the maritime field.
You Can Find:

Maritime College’s Mission Statement:
www.sunymaritime.edu

About Maritime
Mission of Maritime College

Maritime College ICP & other Procedures:
About Maritime
Standard Operating Procedures
What can you do?

- Follow the policies and procedures in place for your job.
- Always lock the door when you leave.
- Keep documents containing confidential or sensitive data in secure files.
- Shred documents containing confidential or sensitive data when no longer needed.
What can you do?

- Do not share or post computer passwords.
- Always turn off your computer when you leave for the day.
- Use password-protected screensavers.
- Do not download any free items or software from the Internet.
What can you do?

- Communicate problems with current procedures or suggestions for improvement to your supervisor.

- Report any suspicious persons or activities to your supervisor or to Mgmt., to the University Police, to the Internal Control Coordinator, or to the SUNY Hotline.
Internal Control Myths

- Control is just about minimizing risk
- Once you’ve implemented new controls you don’t have to do anything else
- The more controls the better
- Control is the auditor’s job
Who Is Responsible For Internal Control?

- **EVERY ONE**

- Senior management assures appropriate controls are in place for all operations.

- Every employee follows controls and reports problems or improvements.
Employee Responsibilities

- Fulfilling the duties and responsibilities established in one’s job description
- Meeting applicable performance standards
- Attending education and training programs to increase awareness and understanding
- Taking reasonable steps to safeguard assets against waste, loss, unauthorized use and misappropriation
- Reporting breakdowns in internal control systems to your supervisor
- Refraining from the use of your official position to secure unwarranted privileges
Responsibilities of Managers

- Maintaining an office environment that encourages the design of internal controls
- Documenting policies and procedures that are to be followed in performing office functions
- Identifying the control objectives for the functions and implementing cost effective controls designed to meet those objectives
- Regularly testing the controls to determine if they are performing as intended
Internal Control Review

Checks Whether Controls Work by:

- Evaluating If Controls Are Adequate

&

- Testing Whether Procedures Are Followed
Areas with Weak Controls

Weak controls may not show up immediately but certain signs point to this deficiency:

- Inability to meet upper management’s deadlines for supplying information
- Incorrect or unclear information
- Unusually high employee turnover
- Crowded, poorly organized files, requiring extra effort to locate material
- Poor employee morale
So Why Is Internal Control Important?

- **C**OMPLIANCE with applicable laws/policies
- **A**CCOMPLISHMENT of the entity’s mission
- **R**ELEVANT and reliable data
- **E**CONOMICAL and efficient use of resources
- **S**AFEGUARD assets
Summary

- **All Employees** Are responsible for **Internal Controls**
- It’s Not Rocket Science
- It’s Not Just a Good Idea – It’s the Law!
THANK YOU!!!