



# **SUNY Maritime College Internal Control Program Training**

**Presented to:**

**SUNY Maritime College  
New York**

**Delivered by:**

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Internal Controls**

# Why Internal Controls?

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It is the LAW!

# New York State's 1987 Internal Control Act

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- ✓ 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

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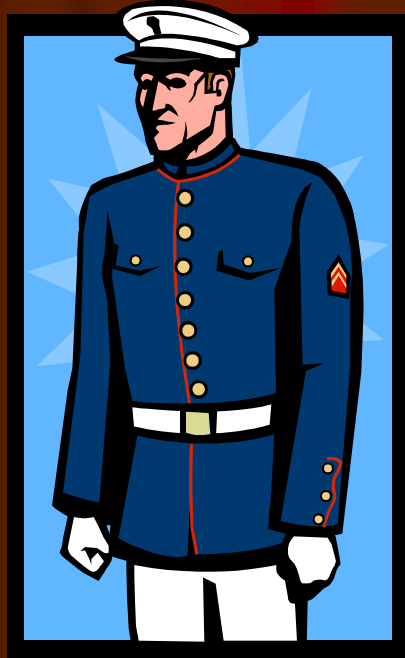
- ✓ Designate an Internal Control Officer
- ✓ Provide Internal Control education and training
- ✓ Periodically evaluate the need for an internal audit function

# 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:

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*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.

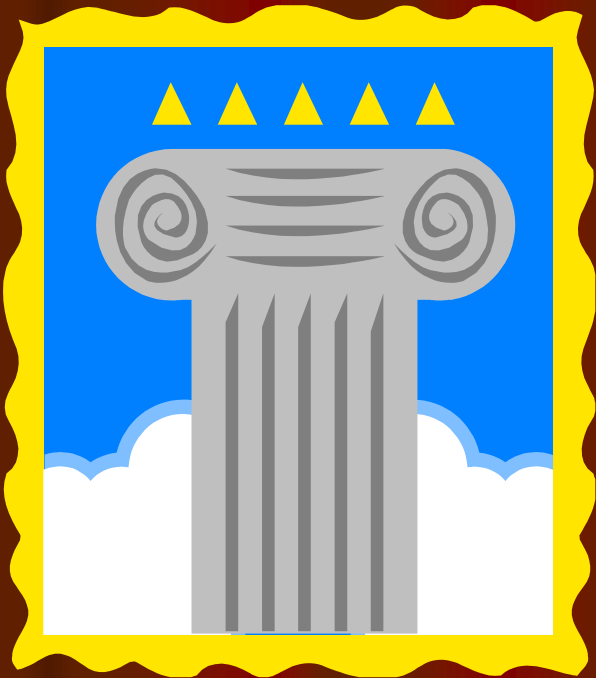
# Some Facts on Internal Controls ...

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- 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](http://www.osc.state.ny.us/audits/audits/controls/standards.htm)

# An Effective Control Environment

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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

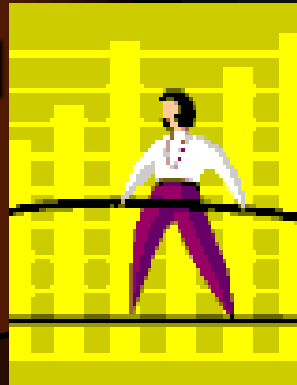
= events that threaten the achievement of the College's objectives and mission.

### Example of Risk:

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

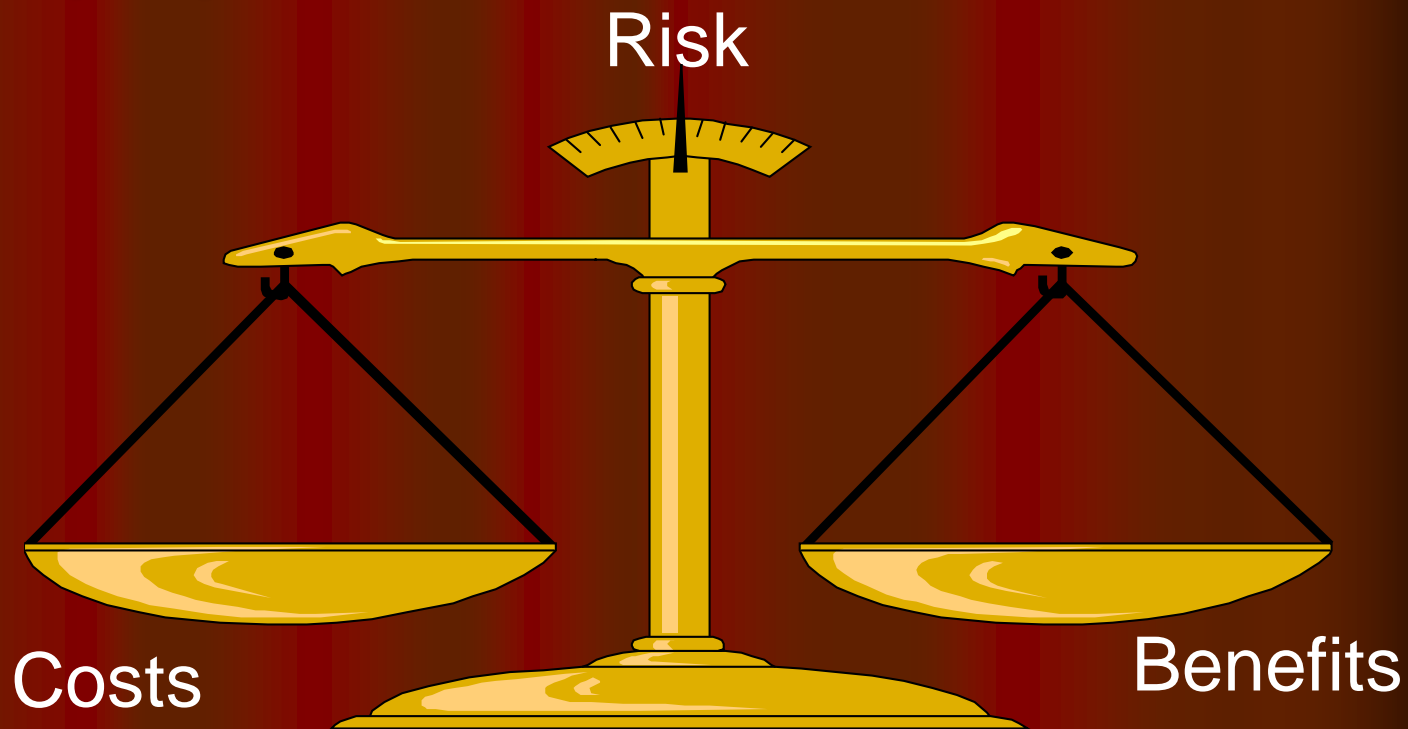
## Risk assessment

= 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

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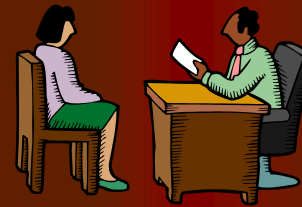
- **Control activities** are tools or processes- both manual and automated - that help prevent or reduce the risks that can impede accomplishment of the College's objectives and mission.
- Management should establish control activities to effectively and efficiently accomplish the College's objectives and mission.



# Examples of Control Activities

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- Admission process
- Purchase requisition process
- Accounts payable process
- Property control process
- Personnel process
- Payroll timekeeping process





# Types of Controls and Examples

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

# Information & Communication

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- ❖ 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

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- 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:

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Maritime College's Mission Statement:

[www.sunymaritime.edu](http://www.sunymaritime.edu)

About Maritime

Mission of Maritime College

Maritime College ICP & other Procedures:

About Maritime

Standard Operating Procedures

# What can you do?

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- 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?

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- 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?

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- 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

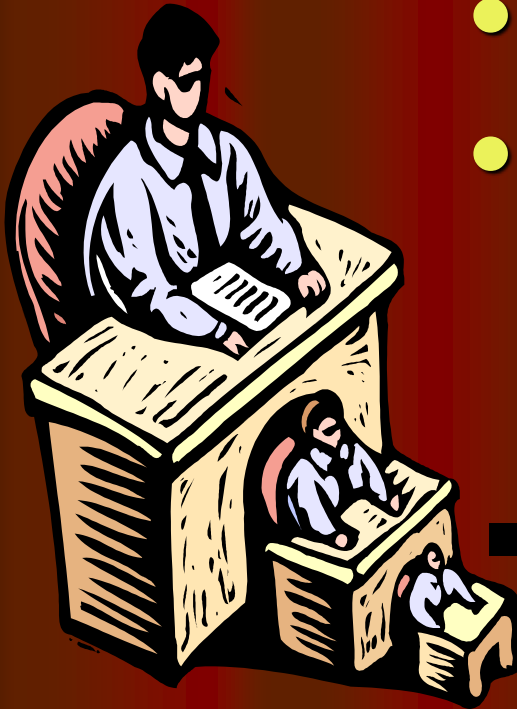
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- Control is just about minimizing risk
- Once you've implemented new controls you don't have to do anything else
- The more controls the better
- Control is the auditor's job



# Who Is Responsible For Internal Control?

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- **EVERY ONE**
- Senior management assures appropriate controls are in place for all operations.
- Every employee follows controls and reports problems or improvements

# Employee Responsibilities

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- 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

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- 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

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Checks Whether Controls Work by:

- Evaluating If Controls Are Adequate

&

- Testing Whether Procedures Are Followed

# Areas with Weak Controls

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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?

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**C**

**C**OMPLIANCE with applicable laws/policies

**A**

**A**CCOMPLISHMENT of the entity's mission

**R**

**R**ELEVANT and reliable data

**E**

**E**CONOMICAL and efficient use of resources

**S**

**S**AFEGUARD assets

# Summary

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- 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!!!!***