

the Quæstor Quarterly

Volume 4, Issue 1

Winter 2009

quæ · stor [kwes'tôr] 'one who asks questions'

Saunders College of Business Students + RIT's Co-op Program = Great Success for IACA

This formula has been proven again and again over the past three years. In fact another formula, and truthfully a more important one, is: Saunders students + Co-op + IACA = An outstanding student experience.

Institute Audit, Compliance & Advisement (IACA), RIT's internal audit department, is a small department with a large responsibility. After assessing risks across the entire University, the IACA staff is responsible for carrying out a challenging annual work plan. This work plan is comprised of audits, business process reviews, questionnaire reviews, and advisory projects. Our annual work plans can take us to all corners of the campus and abroad. The co-op students that work with IACA become a vital part of our team as we strive to accomplish our annual work plan.

What makes a student a serious candidate for a position with IACA? First, a solid foundation of accounting coursework is required. However, the student does not necessarily need to be an accounting major. We have employed two accounting program majors and a finance program major over the past three years. Second, the candidate should be an independent thinker, inquisitive, and professional. The co-op student becomes an integral part of our department and there is an expectation that they will contribute to staff discussions, ask questions, keep all information confidential, and present themselves in a mature and professional manner at all times. Third, we look for a student who is ready to roll up their sleeves and learn a significant amount in a relatively short period of time. Our student employees become part of IACA audit engagement teams and perform research and analyses.

It is probably best for you to hear it straight from one of our past students. I asked Julia Smith to summarize for our readers her individual experience working as an IACA Student Internal Auditor.

"The knowledge and skills I gained from my co-op with IACA are the foundation upon which I have built my professional career. The staff at IACA was extremely dedicated to ensuring that I entered the job market with the qualifications and comprehension required to excel in the accounting world."

The co-op students themselves are most responsible for the outstanding service that has been provided to IACA. However, the Saunders College of Business and the RIT Co-op Program share the credit. If it was not for the excellent education that the students receive at Saunders and the wonderful co-op program that exists at RIT, our experience working with student employees would not have been as positive.

~ Steven M. Morse, Executive Director
Institute Audit, Compliance & Advisement

Inside This Issue	page
Control of the Quarter	2
Word on the Street	3
Ask the Auditor	4
Pop Quiz	4



Control of the Quarter

In the last newsletter we wrapped up our review of the five interrelated components of internal control. You'll recall that internal control is a process designed to provide reasonable assurance to management, the board of trustees and others within the organization about the achievement of objectives in three categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations

Members of the board and management can conclude that the internal control process is effective in each of these categories when they have reasonable assurance that:

1. They understand the extent to which the entity's operations objectives are achieved.
2. Published financial statements are prepared reliably.
3. Applicable laws and regulations are complied with.

In the next few newsletters, we'll provide some real-life examples of how a system of internal control is built into RIT's infrastructure and is a fundamental part of our operation.

Here's an example of one *control activity* and *monitoring* tool currently underway that helps Purchasing and Accounting effectively manage RIT's procurement card program. Not only do these two departments work together when issuing new cards to employees, they have developed several processes to monitor various control activities for the procurement card program.

- Directive (from senior management and the Audit Committee of the Board of Trustees) – To minimize the risk of fraudulent transactions; maintain the total number of procurement cards issued to employees and departments at the level reached during 2006. (With fewer total cards in the program, staff whose responsibility it is to review card statements have more time to devote to this important process.)
- Control Activity – Periodically cancel low-usage procurement cards (defined as three or fewer transactions per month during the prior 12 month period).
- Monitoring Tool – Perform an annual review of the number of transactions for all cardholders to identify low-usage cards.
- Follow-up Action – The Director of Purchasing will advise low-usage cardholders that their cards will be cancelled by a specified date. (This is another important element of internal control – taking appropriate and timely action when exceptions are noted.) The Director will also provide a report to management about the results of the control activity.

It's important to note that this particular control and monitoring activity will not in itself prevent or detect procurement card fraud. However, it is designed to reduce risk to the organization and provide reasonable assurance to management that a specific goal/directive has been accomplished.

This is only one example of how two interrelated components of the internal control process, *control activities* and *monitoring*, are intertwined with RIT's operating activities; and to achieve optimum effectiveness, are built into our infrastructure. In future newsletters, we'll provide more examples of internal control functions as a fundamental part of our operation.

Occupational fraud can be found in any workplace. Whether an organization is a non-profit entity such as a university or a large for-profit corporation, fraud has occurred and continues to occur.

To learn more about occupational fraud, sign up for Fraud in the Workplace Training.

Upcoming Sessions:

February 3, 2009
9:00 am - 11:00 am
Location: CIMS 2140

April 28, 2009
9:00 am - 11:00 am
Location: CIMS 2140

July 28, 2009
9:00 am - 11:00 am
Location: CIMS 2140

Sign up at the CPD website <https://finweb.rit.edu/cpd/leadership/fraud.html>

~ Lyn Kelly, Controller & Assistant Treasurer
Controller's Office

When the Kate Gleason College of Engineering was informed, back in August 2007, that IACA would be performing an audit of our Semiconductor and Microsystems Fabrication Laboratory (SMFL), there was significant apprehension and anxiety among all of us. An audit has such negative connotations in our society, in part because of its association with the IRS, which promotes this attitude to compel a higher level of honesty in tax filings. We imagine a team of individuals delving into our business practices, determined to find fault. Let's face it. How can an audit division justify its existence if it fails to expose wrong-doing? Beyond that gut reaction, there also was the feeling that we were being targeted as untrustworthy or careless with our day to day operations, despite our best efforts to function in a fair and honest manner.

Well nothing could be further from the truth. IACA has a more noble purpose, and this purpose became ever clearer as we worked our way through the audit process. Needless to say, policies and practices are rarely 100% perfect, even though we make every effort to regularly examine our operations, with an eye towards continuous improvement. Thus, it is extremely valuable to occasionally have policies and procedures reevaluated with a fresh set of eyes, especially when that fresh set of eyes belongs to someone who is an expert at such practices. In my opinion, this is an apt description of the staff of IACA.

The SMFL is a complex operation. Its mission encompasses education, research and industry partnerships. It was founded as a critical educational resource for a unique undergraduate degree program that focuses on semiconductor manufacturing; a function that it continues to do extraordinarily well. In addition, it provides RIT faculty and students with an exceptional resource for research, much of which is externally funded, to develop breakthrough technologies that exploit nanoscale phenomena. Finally, the SMFL is a key resource for external customers, primarily at private companies, who are developing new product concepts to grow the regional economy. While we in the Kate Gleason College are well equipped to deal with the technologies inherent in the SMFL, we are not formally trained in the management of the transactional elements of the operation. I am very pleased to say that the outcomes of the audit have had a significant positive impact on our operations, assuring that we have in place strong internal controls and policies and procedures that are implemented in a consistent and efficient manner. In short, the audit of the SMFL by IACA was a thoroughly positive experience.

~ Harvey J. Palmer, Dean
Kate Gleason College of Engineering



Ensure that your department has established and is maintaining good internal controls.

To learn more about internal controls, sign up for Internal Controls Training.

Upcoming sessions:

February 5, 2009
9:00 am - 11:00 am
Location: CIMS 2140

April 7, 2009
9:00 am - 11:00 am
Location: CIMS 2140

June 30, 2009
9:00 am - 11:00 am
Location: CIMS 2140

Sign up at the CPD website
<https://finweb.rit.edu/cpd/leadership/cares.html>

What about *ethics* in the workplace?

To learn more about RIT's Code of Conduct and the Ethics Hotline, check out
<http://finweb.rit.edu/svp/ethics/>

Ask the Auditor ~



Submit a question to the IACA webpage <http://finweb.rit.edu/iaca/forms/ask/> by March 21, 2009. If your question is chosen for publication in our newsletter, you will receive a prize valued at \$15.

IACA TEAM:

Steven M. Morse '86, CPA

executive director
475-7943

Patrick M. Didas '90, CPA, CFE

associate director
475-6826

Wendy J. Roy, CPA

senior internal auditor
475-7011

Nancy A. Nasca, CPA

senior internal auditor
475-5293

Elisa M. Cockburn, CPA

senior internal auditor
475-7849

Christine M. VanHemel

staff & audit assistant
475-7647

Maryna V. Nadtochii

co-op student internal auditor
475-4318



Ask the Auditor

Question:

Why is it necessary for me (the Department Manager) to perform a review of the transactions on my department's monthly procurement card statements and Oracle general ledger activity when I am already approving all purchase transactions and, therefore, I am aware of all of the purchasing activity in the department?

Answer:

Although the approval of purchasing transactions prior to their occurrence is a great preventive control, it is also important that management implement monitoring controls to ensure that department procedures (i.e. required approvals) are not being circumvented. In addition, a monthly transactional review of the department's Oracle general ledger activity will also ensure that purchases (as well as interdepartmental chargebacks) are being accurately coded so that all transactions being "charged" to your department are valid (i.e. this review will mitigate the risk of "miscoding" transactions to the wrong RIT department).

Pop Quiz Challenge

Take the Pop Quiz Challenge! Correctly answer the question below and you will be entered in a drawing to win a prize worth \$10. One lucky winner will be chosen randomly and notified by email.

Question: Institute Audit, Compliance & Advisement's responsibilities include all of the following except:

- A. To provide an independent evaluation of the adequacy of internal controls
- B. To create policies for university departments to follow
- C. To review the effectiveness of internal controls and make specific recommendations for improvements
- D. To report observations and recommendations to applicable university administration based on our audits and reviews

See our Quiz webpage to post your answer:

<https://finweb.rit.edu/iaca/forms/quiz/>

The winner's name and answer will be included in the Spring '09 newsletter.

Congratulations to Robert Eckhardt of RIT Student Conduct and Conflict Management Services Department for being the first reader to correctly answer the Summer issue's Pop Quiz question.

The question and the correct answer was:

"According to the 2008 Association of Certified Fraud Examiners Report to the Nation, the Education industry ranks 21st out of 21 industries for the median size of fraud losses at \$58,000. What ranking out of the 21 industries does Education place for the percentage of total fraud cases reported (6.5%)?"

C. 6th