

IACA's Mission

Institute Audit, Compliance & Advisement promotes a strong internal control environment by objectively and independently assessing risks and controls; evaluating business processes for efficiency, effectiveness, and compliance; providing management advisory services; and offering training to the University community. We focus on preserving the resources of the University for use by our students as they prepare for successful careers in a global society.

Inside This Issue	Page
Internal Controls Training Sessions	2, 4
Control of the Quarter	3
Fraud in the Workplace Training Sessions	3, 5
RIT Ethics Hotline	4
Word on the Street	5
Ask the Auditor	5
Pop Quiz	6



the Quaestor Quarterly

Volume 5, Issue 3

Fall 2010

quaes · tor [kwes'tôr] 'one who asks questions'

IACA's Annual Report

Each year, IACA prepares an annual report for RIT senior management and the Audit Committee of the Board of Trustees. With the beginning of a new academic year already in full swing, I want to share with our readers some of the highlights from our Fiscal 2010 Annual Report and some of our plans for Fiscal 2011.

Fiscal 2010 – A year of significant productivity

The IACA staff was extremely busy last year. You may be aware of the services that IACA provides; however, if you are not, they are generally as follows: Advisory Services; Training Services; Audit, Business Process, and Questionnaire Reviews; Continuous Monitoring; and Financial Fraud Investigations. During Fiscal 2010, our department performed the following activities for RIT:

- Many Advisory Services for management in the Academic Affairs, Student Affairs, Research, and Finance & Administration Divisions
- 4 Internal Control and 4 Fraud in the Workplace Training Sessions through CPD
- Audit, business process and questionnaire review engagements in high risk areas (60%), moderate risk areas (38%), and low risk areas (2%)
- Participated as members of several campus committees

Fiscal 2011 – New opportunities to strengthen RIT's control environment

All IACA auditors are Certified Public Accountants (CPAs) who collectively have expertise in various disciplines utilized in higher education environments such as sponsored program, construction, financial aid, information technology, and international auditing, as well as financial fraud investigation. CPAs in New York State are required to obtain 40 hours of continuing professional education annually to ensure that they remain current on auditing and accounting developments. IACA staff is able to reinforce existing expertise and develop new abilities through this annual training. Further, this continuing education enables IACA to deliver efficient and meaningful service to RIT.

(continued on p. 2)

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

To learn more about internal controls, sign up for Internal Controls Training. This is now a required course to receive the RIT Accounting Practices, Procedures, and Protocol Certificate of Completion.

Upcoming Sessions:

October 26, 2010
9:00 am - 11:00 am
2140 Louise Slaughter Hall

January 25, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

April 26, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

July 26, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

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

IACA's Fiscal 2011 Work Plan was designed with the broad goal of assisting managers in strengthening RIT's control environment. That Work Plan was approved by the Audit Committee of the RIT Board of Trustees and includes the following:

- Audit, business process and questionnaire review engagements to be performed across all RIT Divisions.
- IACA staff plans to spend approximately 58% of their time in higher risk areas, 41% in moderate risk areas, and 1% in lower risk areas.
- IACA will continue to augment our in-house IT expertise by collaboratively working with a technically accomplished member of the RIT Information Security Office in the delivery of our IT audits and reviews.
- Development of an Ethics Training Session to be offered through CPD is in the planning stage.

As you can see, for a relatively small department, we have an ambitious schedule. Having said that, we always welcome the opportunity to provide advisory services for RIT managers. So, please do not hesitate to contact any of the IACA team if you think we can be of help in any way. The following are examples (excerpted from our IACA brochure) of activities that IACA staff can perform in an advisory capacity for department managers.

We Will Help You By...

- *Sharing insights with a fresh perspective*
- *Providing validation for things that you are doing well*
- *Exploring alternative ways to approach a problem*
- *Identifying risks you didn't know you had*
- *Enhancing your management oversight skills*
- *Assisting you in acquiring skills that will help you monitor your operations more thoroughly*
- *Explaining control concepts and how to apply them to your operations*
- *Showing you that we are approachable and a trusted resource*

We Can Help You Determine...

- Why you are “putting out fires” instead of preventing them
- How to be assured that your department receives and records all the revenue it earns
- How to be assured that your department’s expenses are valid and properly recorded
- How you can safeguard your assets, including your data
- How your staff can achieve compliance
- How your information systems could be affected by intrusions and viruses
- Whether your department’s reputation is protected
- How you can improve and strengthen internal controls

IACA is a resource for the RIT community; we welcome the opportunity to serve you.

Steven M. Morse, CPA
Assistant Vice President, IACA

Definition – Internal control is a process, effected by people, designed to provide reasonable assurance about the achievement of objectives in the following areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

1. **A process**; it's a means to an end

2. Effected by **people** at every level of the organization
3. Provides only **reasonable assurance** to management and its board of trustees
4. Geared to the achievement of widely-shared organizational **objectives**

- I. **A Process** – Internal control is a series of actions that permeate the entire organization; it's an integral part of all business of the organization managed through the basic processes of planning, executing and monitoring. It enables the processes to function, monitoring the way the business is conducted as well as its continued relevancy. Internal control is not something added on to an organization's activities; it's entwined with its activities – there are fundamental business reasons for its existence. In other words, the controls should be “built in,” not added on as an afterthought.

2. **People** – Internal control within an organization is carried out by its people, including its governance board, management, and other personnel. People establish the objectives and put the controls in place. Internal control affects the actions of employees. For example, employees are expected to understand what their responsibilities are as well as the limits of their authority.

(Continued on p. 4)

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**. This is now a required course to receive the **RIT Accounting Practices, Procedures, and Protocol Certificate of Completion**.

Upcoming Sessions:

October 12, 2010
9:00 am - 11:00 am
2140 Louise Slaughter Hall

January 11, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

April 12, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

July 12 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

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

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

To learn more about internal controls, sign up for Internal Controls Training. This is now a required course to receive the RIT Accounting Practices, Procedures, and Protocol Certificate of Completion.

Upcoming Sessions:

October 26, 2010
9:00 am - 11:00 am
2140 Louise Slaughter Hall

January 25, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

April 26, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

July 26, 2011
9:00 am - 11:00 am
2140 Louise Slaughter Hall

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

3. **Reasonable Assurance** – Even the best designed system of internal control can provide only reasonable assurance to management and the board about whether or not the objectives of the organization were achieved. Limitations inherent in an internal control system include:
- Decision-making is affected by human judgment, which can be faulty.
 - Costs and associated benefits have to be considered by the individuals responsible for establishing controls.
 - Simple errors or mistakes may cause breakdowns in the control system.
 - Collusion of two or more people may make it possible for employees to get around controls.
 - Management has the ability to override the control system.
4. **Objectives** – The objectives of a well-designed internal control system fall into three areas:
- Operations – Effective and efficient use of the organization's resources
 - Financial reporting – Preparation of reliable published financial statements
 - Compliance – Compliance with applicable laws and regulations

These four concepts are linked, serving as criteria to assist in determining if the internal control system is functioning effectively. In the next newsletter, we'll review the five interrelated components of internal control.

~~ Contributed by Lyn Kelly
Controller and Assistant Treasurer

What about *ethics* in the workplace?

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

Ask the Auditor

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



~ Ask the Auditor ~

Submit a question
to the IACA webpage
<http://finweb.rit.edu/iaca/forms/ask/>
by December 1, 2010. 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

assistant vice president
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

Daniel C. Brugger

co-op student internal auditor
475-4318

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 valued at \$15. One lucky winner will be chosen randomly and notified by email.

Question: What is a healthy “Tone at the Top”?

- A. A beauty bar on the upper shelf at Wegmans.
- B. A back row choir singer’s ability to carry a tune.
- C. A descriptor for some hairstyles seen around campus.
- D. A visible willingness by management to let values drive decisions, to prioritize those values above other factors, and to expect all others in the organization to do the same.

Post your answer to our Quiz webpage at:

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

The winner’s name and answer will be included in the Winter ’11 Quaestor Quarterly Newsletter.

Congratulations to Gary Skuse, School of Biological and Medical Sciences, for correctly answering the Spring issue’s Pop Quiz question.

The question and the correct answer was:

The goal of information security is to protect the:

- A. Confidentiality of information
- B. Availability of information
- C. Integrity of information
- D. All of the above

Correct

R·I·T