

the Quaestor Quarterly

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

Reconciliation?... What for!

With the latest news about security breaches, where personal information such as social security and credit card numbers was exposed to unauthorized access, most of us are paying closer attention to bank account statements, credit reports and credit card statements. The possibility of inappropriate transactions hitting our accounts has suddenly become very real. But we have a tool to protect ourselves from this risk. It is called *reconciliation*.

Reconciliations are powerful internal control tools that can not only help us protect ourselves and our personal information, but can also help us in the workplace. Reconciliations consist of comparing our records (i.e. departmental records) with those of a different party. At RIT this other party is the Oracle General Ledger. How do we know if the general ledger accounts that we are responsible for are showing correct balances? How can we tell that the dollar amounts hitting our accounts are really our expenses or if all our revenues have been accounted for? The only way we can be completely sure that everything going through our general ledger accounts is really ours is by performing periodic reconciliations of these accounts.

For reconciliations to function as an internal control tool, segregation of duties needs to be in place. That is, no single person should have access to two or more phases of a transaction or operation. So, the functions of authorization, custody, record keeping and reconciliation should be performed by different individuals. This could be a problem in small operations. If that is the case, the lack of proper segregation of duties will have to be mitigated by increased management oversight.

Reconciliations will involve reviewing Oracle-based reports including financial information such as payroll charges, other expenses, revenues and balance sheet accounts and comparing them to departmental records. Many departments only have to deal with expenses. In order to perform reconciliations, departments need to keep records of their accounting transactions. For example, most departments keep copies of Invoice Payment Forms submitted to Accounts Payable as backup documentation, in case the originals are misplaced. These copies can be used to verify Oracle records. The reconciliation process ensures that all transactions in Oracle reports are correct and that all transactions for the month have been entered. Reconciliations should be performed on a monthly basis, after month-end closing has occurred.

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Reconciliation?... What for! (continued from p. 1)

A basic reconciliation of expenses would include the following steps:

- Keeping records of departmental transactions throughout the month. (i.e. copies of travel expense reports, P Card statements, invoice payment forms, purchasing requests)
- Printing the Department Statement report from Oracle after month-end closing. This report shows the balances of the department's accounts on a high-level basis.
- Printing the Payroll Distribution Report from Oracle. This report shows the detail of payroll transactions by person, by pay period.
- Printing the Account Analysis Report and Account Analysis w/Subledger Detail Report from Oracle. These reports show the detail supporting the balances in all expense accounts.
- Ensuring that totals on detail reports (Payroll Distribution and Account Analysis) match the totals on the Department Statement. (Note that the Payroll Distribution Report may differ from the amounts shown on the Department Statement due to manual journal entries processed for corrections.)
- Comparing detail reports (Payroll Distribution Report and both Account Analysis Reports) with departmental records (i.e. PO's, invoices, proof of receipt). Strive for a three-way match.
- Researching discrepancies
- Making any necessary corrections through journal entries
- Verifying that journal entries have been posted and appear correctly in the accounts



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.

Date:

September 13, 2007
9:00 AM - 11:00 AM
Location: CIMS 2140

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

The Controller's Office offers two classes on how to perform reconciliations: Oracle FSG & Standard Reports/Reconciling Statements, and Balance Sheet Account Reconciliations. These classes will walk you through the reconciliation process in more detail and will put you in touch with the people that can answer questions. You can find more information and register for these classes on the Center for Professional Development webpage <http://finweb.rit.edu/cpd/technology/accounting.html>.

~ Elisa M. Cockburn, Sr. Internal Auditor

Word on the Street

The Center for Campus Life had the opportunity to work with Institute Audit, Compliance & Advisement (IACA) this past Fall quarter when reviewing the financial procedures of Student Government, its 150 student clubs, and the College Activities Board which programs major entertainment acts on campus. Working with student leaders regarding their financial resources can be a challenge, as many of these leaders are at different developmental levels; the financial procedures for these student groups had been designed to minimize students' abilities to make errors, while also maximizing student learning and reducing liability exposure. However, most of these systems were established by our center staff who directly oversaw the organizations.

Consequently, we embraced the audit as an opportunity for **continuous improvement** and were pleasantly surprised to find that Nancy Nasca and the IACA staff approached the activity in the same manner. They served as analytical and reflective partners, helping us to review our own procedures through new eyes, and evaluate ways to improve them. Nancy worked with us to develop mutually acceptable implementation plans when a need for improvement was detected. As a manager who oversees multiple departments, I found that IACA's approach was refreshing, affirming, and constructive, and I would not hesitate to use them again.

~ Mike D'Arcangelo, Director -
Center for Campus Life

The Auditors get Audited!

You read that right – Institute Audit, Compliance & Advisement (IACA) has been audited. Let me explain how this came about.

IACA is required to follow the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA). These Standards are comprised of attribute and performance standards and cover such areas as independence; due professional care; quality assurance; and engagement planning, performance, and communication to name a few.

One of the Standards requires that internal audit departments have a quality assurance review once every five years. For IACA that meant planning an engagement that is called a Self-Assessment with Independent Validation. What this means is that IACA needed to perform a self-assessment of its compliance with the IIA Standards and then arrange for independent validators to review the self-assessment documentation.

So, IACA performed a self-assessment of its compliance with the IIA Standards, gathered supporting documentation, and engaged two internal audit directors from two separate universities to be the independent validators. Stephen Colicci from Syracuse University and Gary Walters from the University at Buffalo visited RIT between June 13th and June 15th, 2007 to perform the review.

During their time here at RIT, Steve and Gary functioned in a capacity independent of the University and reviewed and tested the procedures and results of the self-assessment. This included reviewing IACA procedures, working papers, and reports. In addition, Steve and Gary conducted interviews with University management, the RIT Audit Committee Chairman, the Audit Manager from the RIT external audit engagement team, and the IACA staff.

Upon completion of their review, the independent validators issued an independent validation statement. This report, which accompanies the IACA self-assessment report will be distributed to the Senior Vice President for Finance and Administration, the President, and the Audit Committee of the RIT Board of Trustees.

This exercise was very valuable to IACA. In fact, IACA implemented some new procedures as a result of preparing the self-assessment documentation for review. The independent validators did determine that IACA was in compliance with the IIA Standards and provided me with some recommendations on how to further improve our processes. It's all about continual improvement.

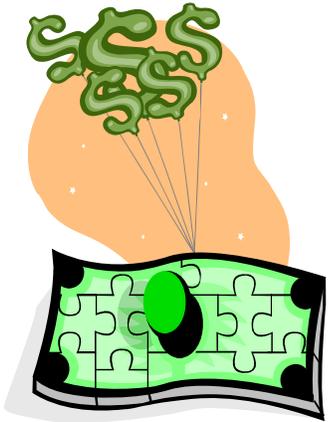
~ Steven Morse, Executive Director

Control of the Quarter

In the last newsletter, we introduced the five interrelated components of internal control designed to identify factors that cause or may result in fraudulent financial reporting. The control components, which are derived from the way management runs an organization, include:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

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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:

August 9, 2007
9:00 AM - 11:00 AM
Location: CIMS 2140

September 25, 2007
2:00 PM - 4:00 PM
Location: CIMS 2140

November 15, 2007
9:00 AM - 11:00 AM
Location: CIMS 2140

December 20, 2007
2:00 PM - 4:00 PM
Location: CIMS 2140

February 28, 2008
9:00 AM - 11:00 AM
Location: CIMS 2140

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



Ask the Auditor ~

Submit a question to the IACA webpage <http://finweb.rit.edu/iaca/forms/ask/> by 9/1/07. If your question is chosen for publication in our newsletter, you will receive a prize valued at \$15.

IACA TEAM:

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Control of the Quarter (continued from p. 3)

We previously covered the “control environment” which sets the tone of an organization, influencing the control consciousness of its people. The “risk assessment” component includes the identification and analysis of relevant risks to achieving the objectives of the organization. This risk assessment is then used to form a basis for determining how risks should be managed.

Management must identify critical success factors and then establish broad categories of objectives used to identify measurement criteria including:

1. **Operations objectives** relate to achievement of an organization’s basic mission – the fundamental reason for its existence. They are often directed at enhancing effectiveness and efficiency in moving the organization toward its goals.
2. **Financial reporting objectives** address the preparation of reliable published financial statements including interim financial reports and selected financial data derived from the statements for use by others external to the organization (e.g., creditors, donors, grantors such as the Federal and State governments, etc.).
3. **Compliance objectives** pertain to adherence to laws and regulations dependent on external factors which the organization must follow.

The process of identifying risks from external and internal sources is an ongoing process. Accepting risks and then setting objectives to effectively manage them is a key part of the management process.

In the next newsletter, we’ll discuss the 3rd control component – control activities.

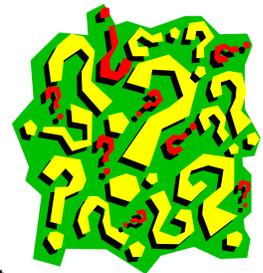
~ Controller’s Office

Pop Quiz

The first reader to correctly answer the question below will win a prize worth \$10.

Question: On average, the most expensive asset misappropriation committed by a company employee involves...

- A. Inventory thefts
- B. Cash larceny
- C. Billing schemes
- D. None of the above



See our Quiz webpage to post your answer:

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

The winner’s name and answer will be included in the next newsletter.

- Congratulations to Carol Richardson, Interim Dean, College of Applied Science and Technology, for being the first reader to correctly answer the April issue Pop Quiz question.

The question and the correct answer for April:

“The number one method by which fraud is discovered in an organization is...”

- C. Tips and complaints.