Office of the University Controller
Internal Controls Update
DFS Conversations

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Agenda

- Internal Control Framework - Policy 3.26
- Unit Internal Control Plans (ICP), Timeline, Updates
- Office of the University Controller (OUC) Plan to Ensure Proper Controls
- Financial Operations Resources
Internal Control Framework
University Bylaws state that the University Controller is responsible for establishing and maintaining effective internal control procedures.

University Policy 3.26 – Financial Internal Controls requires all operating units develop their own internal control plans.

State University of New York requires an annual Internal Control Certification Form for the contract colleges, signed by the University President.

Internal controls are necessary to satisfy the university’s annual external audit.

The University Audit Office also monitors the effectiveness of internal controls.
An Internal Control is…

“a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.”

Everyone in an organization plays a role in Internal Controls!
Why Are Internal Controls Important?

A strong internal control environment provides the following:

- Operational effectiveness and efficiency.
- Reliable financial reporting.
- Compliance with laws and regulations.
- Prevention or detection of fraud.
- Detection of human error.
17 PRINCIPLES OF THE COSO FRAMEWORK

Control Environment
1. Commitment to Integrity
2. Independence from Management
3. Establish Responsibilities
4. Commitment to Attract, Develop, and Retain Competent Individuals
5. Hold Individuals Accountable

Risk Assessment
6. Specify Objectives
7. Identify Risks
8. Consider Potential for Fraud
9. Identify and Assess Changes

Control Activities
10. Develop Control Activities to Mitigate Risks
11. Develop Control Activities to Support Achievement of Objectives
12. Deploy Control Activities through Policies

Information & Communication
13. Obtain Information to Support Internal Control
14. Communicate Information
15. Communicate with external parties

Monitoring
16. Select, Develop, and Perform Evaluations
17. Evaluate and Communicate Internal Control Deficiencies
Who Plays a Role in Internal Controls?

Control activities are performed at all colleges/units at Cornell; and throughout various levels. The Board of Trustees established the tone at the top regarding the importance of internal control. Management reinforces the expectations at the various levels of the organization. Control activities are performed at all levels of the entity. Everyone has a role to play when it comes to internal controls!
Unit Internal Control Plans
Internal Control Plan Timeline

- **Risk Assessment**
  - Due Date: 3/31/2023

- **Executive Summary and Management Response Plan**
  - Due Date: 6/30/2023

- **Create/Design Internal Controls**
  - Due Date: 3/31/2024

- **Test/Implement Internal Controls**
  - Due Date: 5/31/2024

- **Internal Control Plans Complete**
  - Due Date: 6/30/2024
Office of the University Controller (OUC)
Plan to Ensure Proper Controls
Background
University Policy 3.26, Financial Internal Controls requires all operating units develop their own unit-specific financial internal control plans using guidelines provided by the Office of the University Controller (OUC). The OUC is responsible to work with units to develop and document unit-specific, customized control plans, including developing unit materiality levels and completing unit risk assessments.

Overall, units have been working toward compliance with Policy 3.26, and, while there are no university-wide findings that warrant major concern from Senior Leadership, the OUC has identified the Major Transaction Cycles where additional guidance could benefit units.
OUC Plan to Ensure Proper Controls

**Desktop Narratives**
- Detailed description of the process
- Key documents
- Step-by-step procedure
- Glossary of terms

**Flow Charts**
- Visual aid of the process
- Denotes stakeholders, roles and responsibilities
- Denotes minimum required controls

**Minimum Required Controls Matrix**
- Formal documentation of minimum required controls
- Description of risk and control
- Relevant policies
Financial Operations Resources

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Questions