

# FORVIS™

## Internal Controls: *Evaluating Risks at My Institution*

# Meet the Presenters



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# Agenda

- Learning Objectives
- Let's Talk About Risk
- What About Internal Controls
- Bring the Action

# Learning Objectives



1. Gain an understanding of types of risk & how to identify, evaluate, & prioritize them
2. Learn how to think about & identify existing internal controls & determine what other controls need to be implemented
3. Apply knowledge gained from IC Session 1 to a process scenario that might be found at your institution

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# The Pillow Story





# Let's Talk About Risks

# COSO Enterprise Risk Management Framework



## Governance & Culture

1. Exercises Board Risk Oversight
2. Establishes Operating Structures
3. Defines Desired Culture
4. Demonstrates Commitment to Core Values
5. Attracts, Develops, and Retains Capable Individuals



## Strategy & Objective-Setting

6. Analyzes Business Context
7. Defines Risk Appetite
8. Evaluates Alternative Strategies
9. Formulates Business Objectives



## Performance

10. Identifies Risk
11. Assesses Severity of Risk
12. Prioritizes Risks
13. Implements Risk Responses
14. Develops Portfolio View



## Review & Revision

15. Assesses Substantial Change
16. Reviews Risk and Performance
17. Pursues Improvement in Enterprise Risk Management



## Information, Communication, & Reporting

18. Leverages Information and Technology
19. Communicates Risk Information
20. Reports on Risk, Culture, and Performance

# The What, When, & Why of Risk Assessments

## What is a risk assessment?

- According to the Institute of Internal Auditors (IIA), risk assessment is a dynamic & iterative process for identifying & analyzing risks associated with the organization's objectives

## When do you perform a risk assessment?

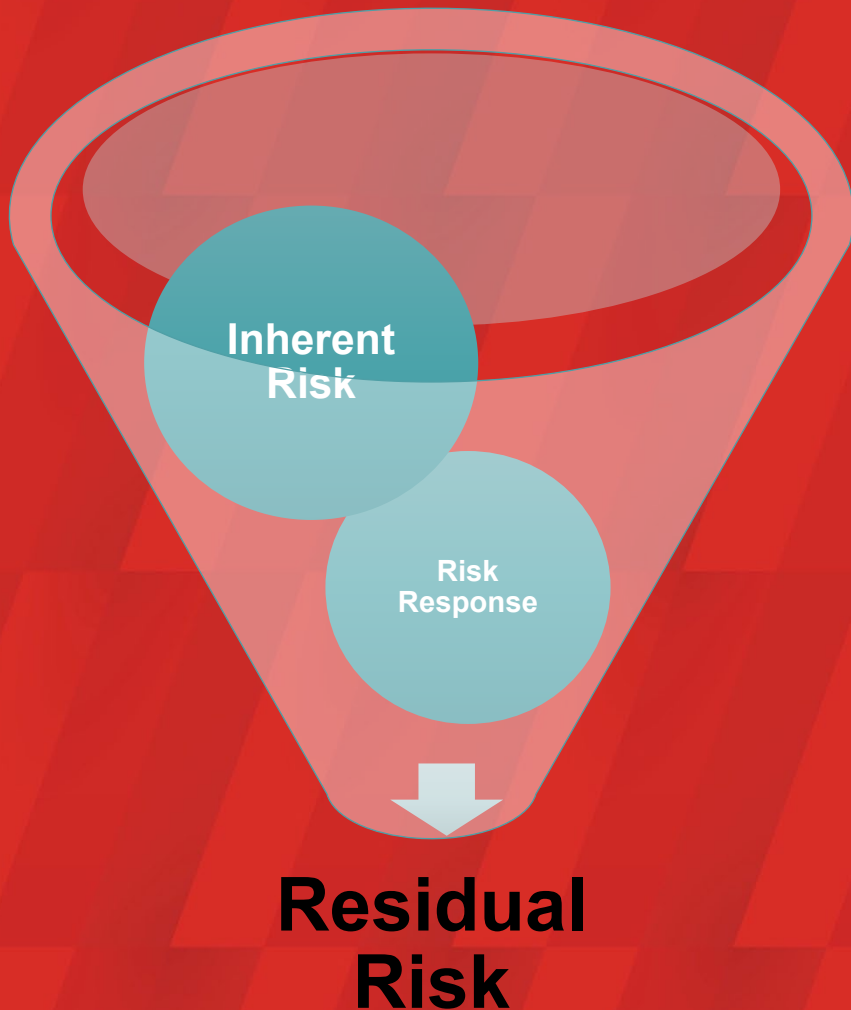
- Large scale, *i.e.*, enterprisewide – at least annually
- Required assessments, *i.e.*, regulatory – as specified by the law
- General assessments, *i.e.*, project-specific – as new projects arise

## Why do you perform a risk assessment?

- Identification of risks to the organization
- Mapping risk responses & controls to the identified risks, &
- Evaluating the responses to assess if risks have been reduced to an acceptable level



# Identify Risks



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- Interviews/surveys with key personnel
- Prior audit reports
- Awareness of leadership changes
- Areas with technology changes (systems, applications, etc.)
- Major changes in processes
- Industry risks
- Professional judgment & experience

# I Spy With My Little Eye ...



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# Example of a Risk Category Framework



STRATEGIC



REGULATORY &  
COMPLIANCE



REPUTATIONAL

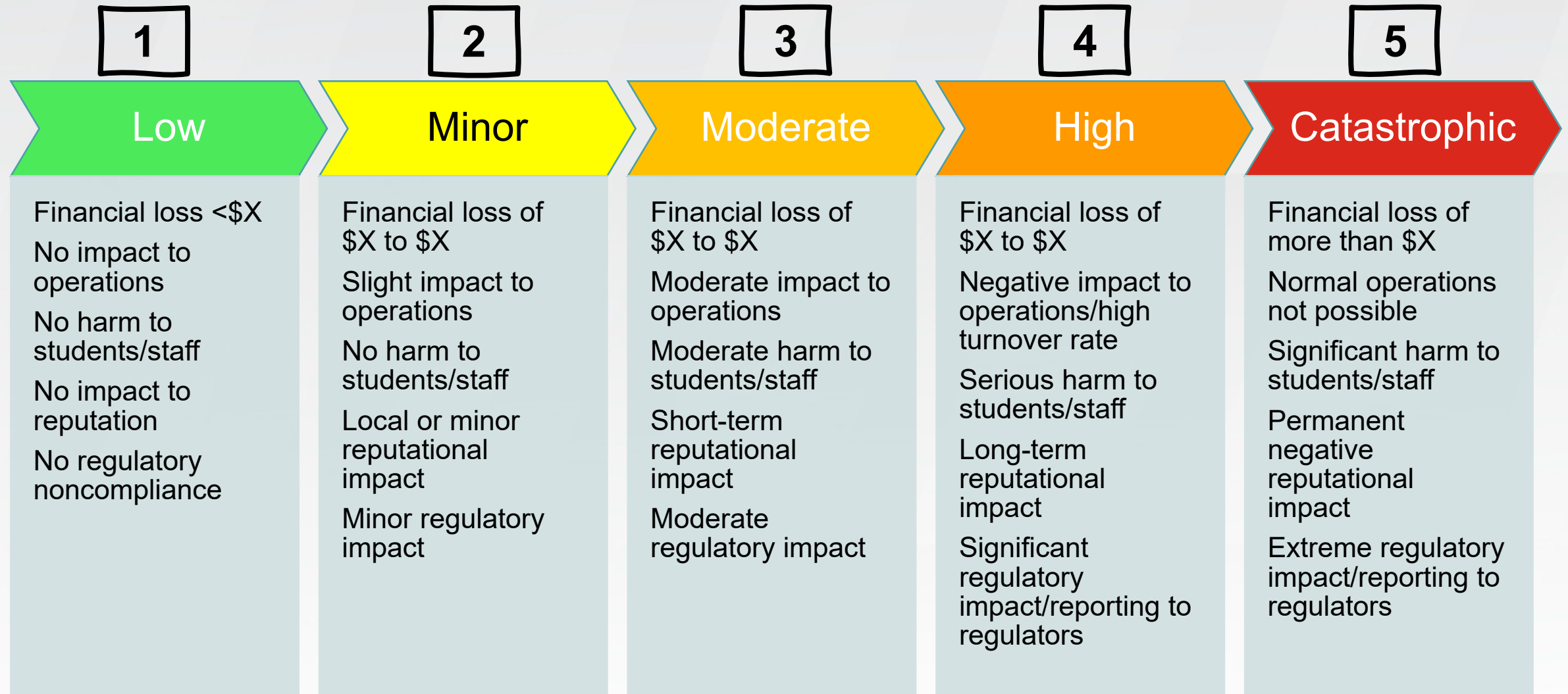


OPERATIONAL



FINANCIAL

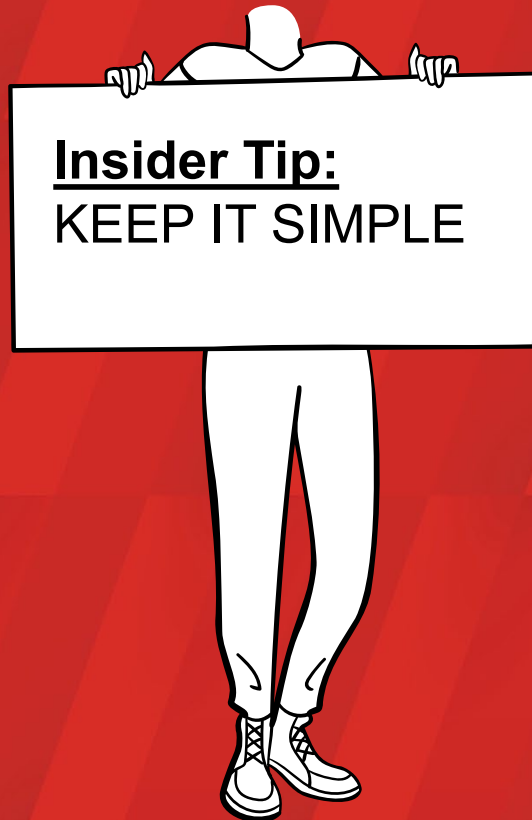
# Impact Ranking Criteria



# Likelihood Ranking Criteria



# Prioritize the Identified Risks



# Risk Responses

Accept

Take no action & you are comfortable with the risk

Reduce

Take steps to reduce or mitigate the risk

Transfer/Share

Find outside party to manage the risk

Avoid

Take steps to ensure the risk does not happen

# What About Internal Controls?





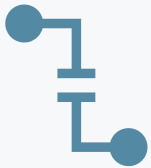
# COSO Internal Control Integrated Framework



COSO defines internal control as follows

*Internal control is a process, effected by an entity's board of directors, management, & other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, & compliance.*

# Control Types



## Preventive

**Prevent** bad from occurring

Examples: organizational structure, segregation of duties, passwords, system access to certain modules/transactions, locks



## Detective

**Find** irregularities & provide some level of assurance that preventive controls are in place

Examples: Account reconciliations, inventory, review of reports



## Corrective

To **correct errors**, irregularities, or fraudulent activities once detected

# Process vs. Control



Prior to processing payroll, timecards are reviewed & approved by the employee's supervisor who has the knowledge that hours worked were accurate & justified

**Control**

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# Process vs. Control



Monthly, Human Resources generates a report of terminated employees

**Process**

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# Process vs. Control



On a regular basis, management reviews system access reports

**Control**

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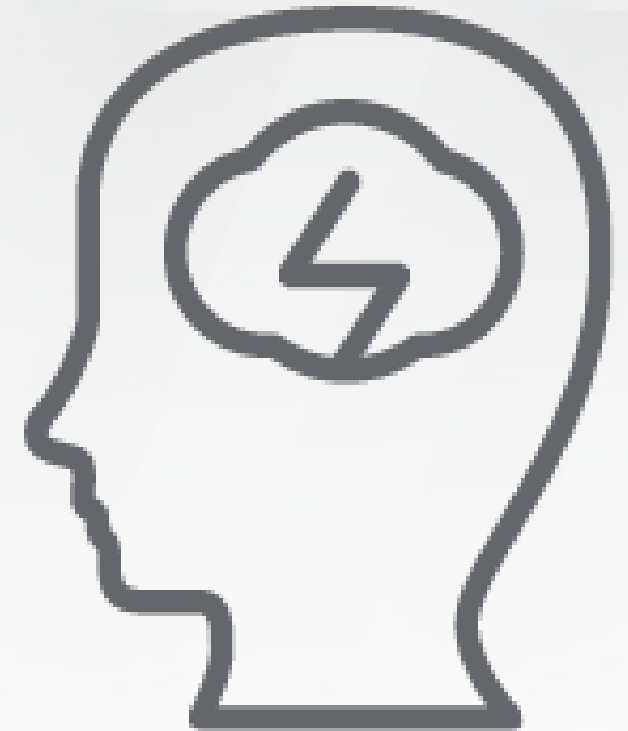
# Wise Words From Dwight



# Case Study

- Guidelines

- Gain an understanding of the project/event through the scenario provided
- Discuss in groups or individually work on identifying the risks
- Determine what controls are in place and what might need to be implemented



# Scenario

**In late April, the Institution will be hosting a concert event on campus which will be headlined by a famous music artist.**

**The show will be outdoors on the campus lawn with special VIP seating near the stage and general admission tickets for the lawn. VIP ticket holders will have special bracelets that will allow them entrance into the gated area. No other tickets will be sold. All tickets are purchased through an online platform created by the Institution. The online platform has been segregated on its own server and separate from the university's main network.**

**Vendors will be on site selling products such as food, merchandise, and alcohol. No outside food or drinks will be allowed on the property.**

**Volunteers from campus police, parking & transportation, and other departments will work the event as staff and security.**





# Scenario – Risks

**In late April**, the Institution will be hosting a concert event on campus which will be headlined by a famous music artist.

The show will be **outdoors on the campus lawn** with special VIP seating near the stage and general admission tickets for the lawn. VIP ticket holders will have special bracelets that will allow them entrance into the gated area.

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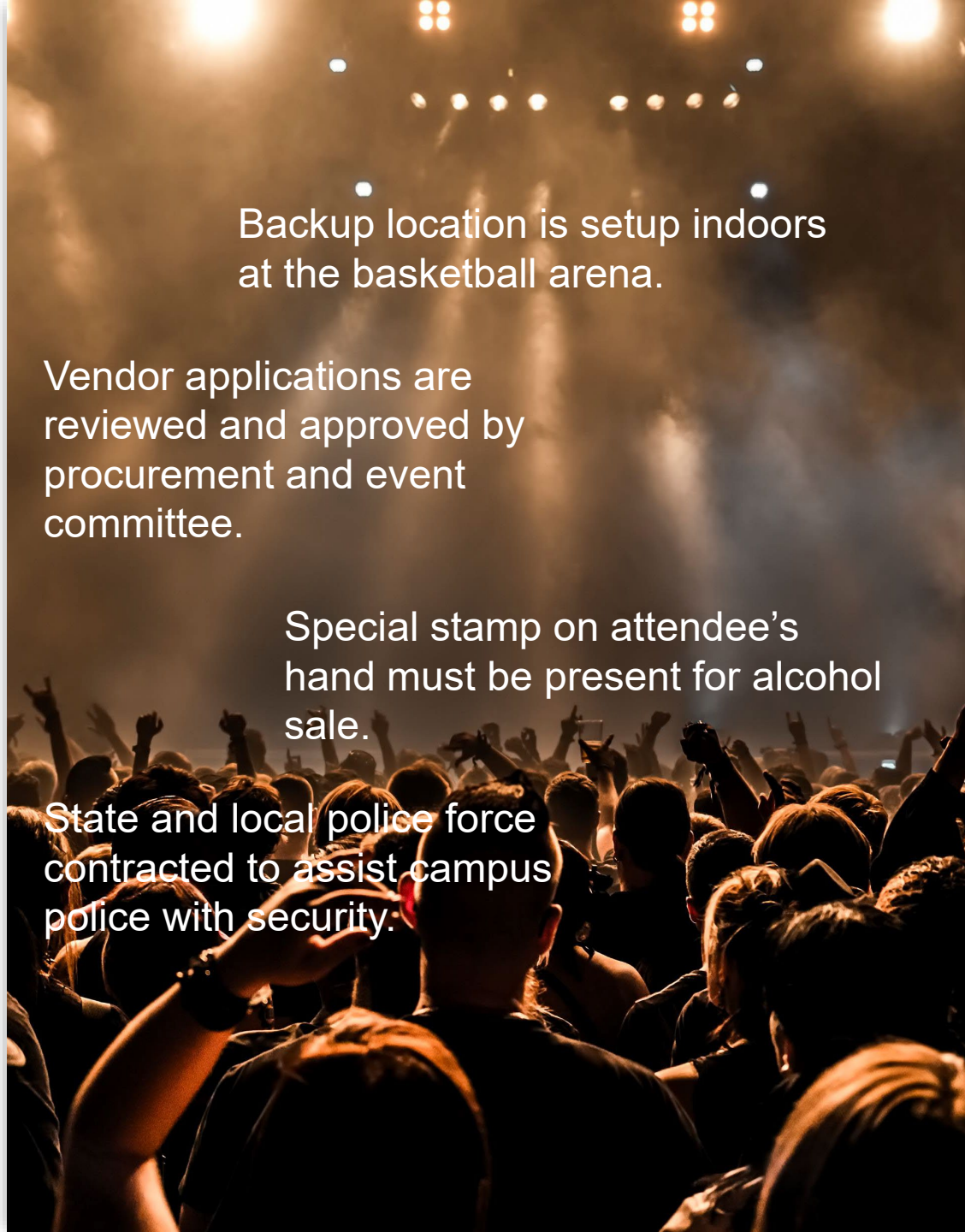
# Scenario – Controls

In late April, the Institution will be hosting a concert event on campus which will be headlined by a famous music artist.

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Vendors will be on site selling products such as food, merchandise, and alcohol. No outside food or drinks will be allowed on the property.

Volunteers from campus police, parking & transportation, and other departments will work the event as staff and security.



Backup location is setup indoors at the basketball arena.

Vendor applications are reviewed and approved by procurement and event committee.

Special stamp on attendee's hand must be present for alcohol sale.

State and local police force contracted to assist campus police with security.

A photograph of graduates in green gowns and black caps celebrating, with many caps thrown into the air. The scene is bright and joyful, with a white diagonal graphic element on the right side of the image.

# Thank You!

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