

**University of San Diego
University Audit Office
Self-Audit Tool**

Department: _____

Budget Officer: _____

Completed by: _____

Date: _____

The Self-Audit Tool is a guide and is not all-inclusive. **Yes** indicates a needed control is in place. **No** indicates internal control could be improved and warrants management’s attention. Add explanatory comments as necessary. Please be as objective as possible—good internal control does not necessarily exist if no problems have ever been encountered.

A - General

The key unit in the organizational structure of many universities is the department or any similar subdivision of the university. The department head (budget officer, principal investigator) is the key administrator in each department. In addition to pursuing actions consistent with the university's mission and goals, the department head is responsible for managing a department's financial operations such as budgeting departmental funds, approving expenditures, and maintaining appropriate controls to safeguard assets.

Risks

- Noncompliance with federal and state laws and regulations
- Noncompliance with Trustees and university policies and procedures
- Personal responsibility for contracts
- Processes completed inefficiently or incorrectly
- Misappropriation of funds

Yes

No

A-1 Are department personnel familiar with *USD Policies*? The policies’ Internet address is <http://www.sandiego.edu/legal/upolicies.php> Are department personnel familiar with the various procedures that can be found in various departments under the Vice President for Business Services and Administration? <http://www.sandiego.edu/administration/businessadmin/>

All staff should be familiar with *USD Policies* and its various offices’ procedures.

A-2 Are research grants and contracts that require a commitment of university facilities or personnel reviewed by the USD Office of Sponsored Programs?

OSP administers all grants and contracts prepared and awarded for research, training, or other projects for which there are technical and/or fiscal reporting requirements, restrictions on the specific use of funds, and commitment of university facilities or personnel.

A-3 Do written procedures exist for systems that are critical to the operations of the department?

Process documentation can be very effective in orienting new personnel, defining areas of responsibility, evaluating the efficiency of systems, determining areas of primary concern, and identifying key risks and controls. The more important or the more complex the activity the more critical it is to have written procedures to ensure that the complexities have been adequately addressed and communicated. It is equally important that written procedures are consistent with university

policies and procedures and that they are kept up to date. Revisions to the written procedures should be made when changes occur.

Many administrative assistants maintain a loose-leaf desk manual for their position. A desk manual can be helpful in training new employees, acts as a reference for procedures done infrequently, and helps the department in the administrative assistant's absence. A desk manual is particularly valuable to a department head when there is turnover in the administrative assistant position.

- A-4 Are original signatures used to approve all transaction documents where an original signature is called for? Do individuals who must approve on-line documents do so themselves?**

Where original written signatures are called for, the use of signature stamps or the practice of signing another person's name with or without initialing, are discouraged. Department heads are responsible for expenditures charged to accounts under their control. Although signature authority may be delegated to other members of the department, responsibility for expenditures remains with the person in charge of the department.

If the answers to these question are "no," describe the process used.

Whose signature is signed using these additional signature methods?

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to general controls in the space below.

B - Financial Reports

The Controller's Office maintains a centralized accounting system for the university. This system contains a series of accounts that record the university's financial activities. One feature of the system is the financial reports available through Oracle. Regular review and verification of financial reports is a critical control to ensure financial transactions are authorized, correct, and properly recorded.

Risks

- No budgetary control
- Unauthorized transactions
- Undetected errors
- Misappropriation of funds

Yes

No

B-1 Are financial reports verified and reconciled to transaction documents each month?

It is important that financial reports be verified and reconciled to ensure they accurately include all of the department's authorized transactions. The reconciliation should also ensure that transactions related to other departments, or that are unauthorized, do not appear in your department's records. Finally, the process of reconciling financial reports should include identification of transactions initiated by the department, but not yet posted to the accounting system (i.e., transactions in the processing pipeline) in order to monitor the availability of department funds.

B-2 Assuming personnel staffing is sufficient, are reconciliations completed by a person without signature authority on the account?

One person should not have duties related to both approving and reviewing transactions. To ensure those persons with approval authority are adequately monitored, department heads should satisfy themselves that transactions appearing on financial reports have been properly authorized and are related to departmental objectives.

Who reconciles financial reports to department copies of transaction documents?

Which of the following best describes your department's method of tracking financial transactions and reconciling financial reports? Circle the applicable letter. The system your department chooses should reflect the complexity of your department's operation and should be updated frequently.

- A **two-file system** where documents in a posted file and a pending file are compared to monthly financial reports.
- A **"checkbook" system** where the available balance is tracked by deducting expenditures from the available budget and/or other revenue.
- A **bookkeeping system** (sometimes called a "shadow" system) where an appropriate method is used to track transactions that have not yet posted to the Oracle system.
- The department waits until monthly accounting data is available and reconciles it at that point. Current expenditures or commitments are tracked informally.

B-3 Is the budget the department head's best estimate of how the department's funds will be expended during the year?

When preparing the initial budget for the year, do not simply repeat the previous year's budget allocations. Funds should be allocated to the account codes based on past experience and what is expected for the upcoming year. The usefulness of financial reports as a monitoring tool is enhanced when the budget is the department head's best estimate of how funds will be expended.

- B-4 Is a system in place to provide the department head with explanations of significant variances between budgeted and actual financial status?**

Budgets define the funds available to achieve departmental goals. Actual expenditures should be periodically compared to the budget to ensure funds are not misused. Significant variances from budgeted amounts should be investigated and the reason for the variance identified.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to financial reports in the space below.

C - Cash Receipts

Cash receipts are vulnerable to loss, theft, misuse or misappropriation. The purpose of establishing and maintaining proper procedures in handling cash receipts is to ensure they are deposited with the Cashier's Office and recorded in the appropriate department and account. "Cash receipts" includes currency, checks, credit card receipts, and wire transfers received by mail or in person.

Risks

- Lost or stolen cash and checks
- Budget shortfall
- Noncompliance with state tax regulations
- Tax liabilities and penalties

Yes

No

C-1 Are textbooks and other class materials sold through the University Bookstore?

All textbook requisitions for classes taught through USD must be processed through the university Bookstore. To minimize cash handling in departments and to ensure sales tax is collected, other class materials (such as course packs or study guides) are best sold through the university Bookstore.

C-2 Is a cash receipts journal kept or is a pre-numbered receipt or cash register receipt promptly issued for all payments?

Cash receipts records should be sufficient to provide an audit trail of the cash received and to provide evidence of what was received in case of a later dispute. Do not keep copies of checks and credit card receipts. The retention of banking data in departments actually increases risk to the university should the data be lost or stolen. If these items are needed later, the university cashiers will have the necessary copies or the cashiers can obtain them from the university's bank.

C-3 Is each check restrictively endorsed upon receipt with the phrase "For Deposit Only" to the account of the University of San Diego, with a stamp that includes USD's checking account number?

To help prevent their diversion or unauthorized cashing, checks should be restrictively endorsed immediately upon receipt.

C-4 Are cash receipts physically safeguarded against theft and loss?

Cash receipts are vulnerable to theft or loss. Cash receipts should be kept locked up when the person responsible for them is not physically present.

Where are cash receipts secured until deposit?

C-5 Are deposits made timely?

Cash receipts should be deposited promptly in order to minimize the risk of loss due to theft. Deposits should be made at least weekly or whenever \$500 or more has accumulated.

C-6 Are cash receipts deposited in the Cashier's Office?

Seeing to it that cash receipts are promptly forwarded must be done both for financial reasons (during periods of higher interest rates the university's combined cash balances can be invested) as well as for control reasons. This is accomplished by making prompt deposits into a university account through the Cashier's Office.

Does the department oversee any organization's service fund or off-campus account?

If yes, please identify the organization, the name of the bank, the name of the fund or account, and those persons with signature authority. Official university bank accounts may not be opened or kept without Controller's Office approval. Liability issues should be carefully vetted in the case of agency accounts.

C-7 Are cash receipts deposited intact, with no cash retained or expended?

Cash receipts should be deposited intact with nothing held back to pay small expenses.

C-8 Are appropriate account codes used for recording deposits?

Financial reports are more useful when revenues are properly classified.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to cash receipts below.

D - Purchases and Disbursements

The purchasing system's goals are to achieve open, competitive, and cost-effective buying, while adhering to external funding source requirements for bidding, documentation and reporting, and timely payment to vendors for services and goods purchased. All payments require approval by appropriate university employees who have authority over the budgets being charged. Only reasonable and necessary expenditures in support of the university's mission are permitted. Employees may not purchase goods or services for personal benefit through university channels, regardless of whether the university is reimbursed for such purchases.

Risks

- Misappropriation of funds
- Jeopardized relationships with vendors
- Excessive processing costs
- Inappropriate payment of sales tax
- Lawsuits

Yes

No

D-1 Are the persons responsible for approving the requisitioning of goods or services separate from those involved in reconciling financial reports?

Procedures that allow one person to control all aspects of a transaction increase the likelihood that unintentional errors will remain undetected and increase the opportunity for irregularities. Assigning responsibility for reviewing financial reports to someone other than the person who approves transactions provides a crosscheck on the items posted to the unit's accounts. Segregation of duties also serves as a deterrent to fraud or concealment of error because of the need to recruit another person's cooperation (collusion) to conceal it.

Who is responsible for approving the requisitioning of goods or services?

Who is responsible for reconciling financial reports?

D-2 Do procedures ensure that the person who benefits from the expenditure does not approve the requisition?

Authorized approvers of university business transactions should not approve their own transactions or those payable to their immediate supervisor, the supervisor's business, or the supervisor's immediate family. Transactions should be reviewed and authorized by an independent person at an appropriate authority level to ensure approval without undue influence and to avoid the appearance of a conflict.

D-3 Does the department participate in the American Express procurement card program (or either the Master Card or Visa programs)?

If the answer to the question is no, skip the remaining questions in this section and resume with the next section (Payroll).

Who is (are) the cardholder(s)?

Who is the department card coordinator?

- D-4 Is the procurement card used only by the person whose name is on the card? (Exception: the American Express card may be used by someone reporting directly to the cardholder, but the cardholder remains monetarily responsible in the event of misuse.)**

Only the person whose name is on the business procurement card should use that card.

- D-5 Does the department card coordinator reconcile the monthly transaction log?**

The cardholder should reconcile the transaction log to the monthly statement received from American Express by the 20th of the month. The reconciliation must be approved by the cardholder's supervisor or designee (like the budget administrator).

Who reconciles the monthly transaction log to the monthly bank statement? Who approves it?

- D-7 When remitting the monthly transaction log to the Procurement Office, is the log signed by the cardholder, department card coordinator, and budget officer?**

It is best for three persons to carry out the roles related to the business procurement cards. If staff levels do not permit three persons to be involved, it is acceptable for two persons to fulfill the three roles, but in that case, after the fact reviews of the process are important.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to purchases and disbursements in the space below.

E – Payroll

Payroll expenditures are the university's single largest expense category. To ensure all payroll-related actions are consistent with university policies and procedures and federal and state laws, administrators responsible for payroll must be knowledgeable about payroll issues.

Risks

- Fraud
- Overpayments
- Retroactive transactions
- Personal and employer tax liabilities and penalties
- Lawsuits

Yes No

- E-1 Do non-exempt and student employees approve their time reports in Kronos in a timely fashion for each pay period?**

Each employee's positive time report for each pay period (electronically approved by the employee and the employee's immediate supervisor) should be maintained in a timely fashion. This document may be referred to if an employee should question the amount of his or her paycheck.

- E-2 Are positive time reports reviewed and signed by supervisory personnel with direct knowledge of the actual time worked each pay period?**

Positive time reports should be completed and signed by the employee and reviewed and signed by supervisory personnel with direct knowledge that the work was actually performed. Accurate records are important to document compliance with the federal and state wage and hour laws and to account for benefit time.

- E-3 Do nonexempt staff account for all time worked on a daily basis on positive time reports?**

All time worked must be accounted for through the university's timekeeping system (Kronos). Desk drawer time (compensatory time worked, but tracked independent of the timekeeping system) is not permitted. Accurate records are important to document compliance with the federal and state wage and hour laws.

Who is responsible for approving timekeeping data entry? (It should be the immediate supervisor unless the approval has been delegated to another supervisor and/or manager while they are out of the office).

- E-4 Are payroll charges appearing on financial reports reviewed for accuracy?**

Departments should review payroll charges appearing on financial reports for reasonableness to ensure all charges are proper. If accounts charged are inappropriate or amounts incorrect, the department should notify the Payroll Office so corrections can be made.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to payroll in the space below (add sheets as necessary).

F - Personal Computers

Information resources must be protected from destruction, unauthorized use, or unauthorized change. Users are responsible for the security of data to which they have access.

Risks

- Unauthorized access to computers
- Computer viruses
- Destruction of critical data
- Violation of software license agreements and possible fines
- Loss of educational discounts on software
- Lawsuits

Yes

No

F-1 Is software installed in compliance with its license requirements?

Generally, software is licensed to the individual or organization that purchased it and is authorized to be used only at one computer. Information Technology Services must approve all computer software (and hardware) purchases. Software that has been purchased by the university is authorized for installation on university computers. These general statements do not apply to network software or site license agreements. It is important to read each software package's copyright statement; there are various types of licenses available. It may be helpful for the department to maintain and keep current a log of computer software purchased or donated and record the computer on which the software is installed.

F-2 Are copies of key computer files made periodically and stored in a separate area or off-site location, or backed up to a university server?

You should periodically back up important documents that are stored on your computer. This will allow easier recovery from a hard disk crash or a disaster that may destroy the computer. If data is being saved to a network maintained by Information Technology Services, the servers are regularly backed up. If data is typically saved to your computer's hard disk, the data should be backed up to another storage medium. In the event of a localized disaster such as fire or smoke in the office, the back-up medium should be stored at another location so it is not destroyed with the computer that has the original files.

Where are backup copies of key computer files stored?

F-3 Are passwords used to gain initial access to the department's computers?

A password creates a barrier against potential information theft or corruption. Without password protection, an unauthorized user can be navigating from the desktop in a matter of seconds and potentially viewing or destroying important files, either intentionally or accidentally. Passwords should be at least six to eight characters with a combination of letters, numbers and special characters and should be kept confidential and not written in plain view on an employee's desk.

F-4 Is anti-virus software used for computers and local area networks?

It is a good practice to check all incoming sources for computer viruses. A virus may destroy data or the hard disk immediately, or it may lie dormant before causing damage, in which case the virus can contaminate back-up systems before it is discovered. The best protection is to check all incoming sources with up-to-date anti-virus software.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]
Include additional explanatory comments relative to computer controls in the space below.

G – Student Education Records

Pursuant to federal law, we are responsible for ensuring the privacy of student education records and confidential personal information. The Federal Family Educational Rights Privacy Act of 1974 (FERPA) spells out these responsibilities. Employees are expected to maintain a clear understanding of the type of directory information that can be released without the student’s consent.

Risks

- Unauthorized access to student education records
- Public disclosure of student education records
- Violation of federal law
- Violation of trust
- Identity theft

- G-1 Are department personnel familiar with the Federal Family Educational Rights Privacy Act of 1974? (Note that not all departments have access to student education records and are exempt from the FERPA training requirements. Contact University Audit at ext 2760 to confirm whether a department is exempt from training.)**

The security and confidentiality of all University records should be a matter of concern to USD employees. Many employees (including student employees) are placed in a unique position of trust and obligation with reference to having access to student education records and files and the security and confidentiality of student records and files.

- G-2 Does the department maintain student education records?**

Student education records include, but are not limited to, academic evaluations, examinations, transcripts, test scores, scholarship applications, and general counseling and advising records.

All students have records in one or more of the following offices: Office of Admissions, International Center, School of Law, Registrar’s Office, The Controller’s Office , Financial Aid Office, Campus Card, the divisions of Student Wellness, Office of Career Services, Dean of Students Office, and the dean’s office of each college. Some academic departments maintain records separate from the school or college.

If the answer is no, skip the remaining questions in this section.

- G-3 Are all requests for student education records that would be in the Registrar’s Office file for the student, directed to the Registrar’s Office or the One-Stop Student Center?**

Registrar’s Office file information would include any information needed to verify enrollment, classes, grades, GPA, academic standing or graduation. The university outsources most requests to the National Student Clearinghouse (NSC), which charges inquirers a fee; however, some people will sometimes go directly to a college or department office in order to avoid a fee. Only the Registrar’s Office or the NSC should verify information maintained in Registrar’s Office files (the Registrar’s Office also charges a fee for these types of inquiries). Whenever a request for student education records is received, the first consideration should be whether the Registrar’s Office has the information requested. In most all cases, it will.

- G-4 Does the department have a designated person who has responsibility for student education records?**

One person (and a backup) in the department should be designated as the individual with primary responsibility for the maintenance and safeguarding of student education records. All inquiries related to the release of student education records should be directed to the department's designated person, the Registrar's Office, or the General Counsel's Office.

Who has primary responsibility for the department's student education records?

- G-5 Does the department maintain a record of all requests for and/or disclosure of information from a student's education record?**

USD must maintain a record of all requests for and/or disclosure of information from a student's education record. The record will indicate the name of the party making the request, any additional party to whom it may be re-disclosed, and the legitimate interest the party had in requesting or obtaining the information. This record of requests is open only to the student and the person in charge of the record. Directing requests for student education records to the Registrar's Office will minimize the record keeping required in university departments.

- G-6 Have all department personnel with access to student education records completed the university's FERPA training?**

Employees are expected to maintain a clear understanding of the type of education records that can be released without the student's consent. The Registrar's Office periodically conducts FERPA training. Employees can sign up for the course through the WIN training link after signing on to myTools in Banner.

- G-7 Are student education records maintained in a secure environment?**

File cabinets should be locked whenever authorized personnel are away from the area. Student education records should not be left on tables, desks or other areas open to third parties. Student education records should be removed and/or secured before leaving an unsecured work area. Computer monitors should be positioned so that a student's electronic record cannot be viewed by unauthorized persons.

- G-8 Does the department have written procedures that address the maintenance of student education records?**

Written procedures should include a description of the records maintained, the location where records are stored, title of all positions with access to the records, procedures for granting student access to their records, and procedures for responding to records requests by outside parties.

[Add to, delete, or modify any of the questions on this list to fit your particular unit's circumstances.]

Include additional explanatory comments relative to student records in the space below.

H - Risk Assessment

The previous sections address risks that apply to most all university departments. In this section, you will identify risks that apply specifically to your department that have not already been addressed through the Self-Audit Tool. Many academic departments have few additional risks besides those already identified on the Self-Audit Tool. However, risk (potential problems) increases as operations grow more complex through the addition of laboratories, clinics, technological enhancements and regulatory requirements. Consider what can go wrong in the following areas:

- Fiscal
- Human resources
- Information systems
- Legal and regulatory compliance
- Health and safety
- Public relations and reputation
- Effectiveness and efficiency of operations

List the potential problem areas for your department in the space below. Do not duplicate items covered by the Self-Audit Tool.