



WHAT DO WE LOOK FOR?

By

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WE FOCUS ON...

- 1. Operational Assessment**
- 2. Monitoring Tools**
- 3. Compliance with Laws and Regulations**

1. OPERATIONAL ASSESSMENT

- What is your business?
- How do you do it?
- Is your business operating in a manner it suppose to be? Is it providing services/products that it suppose to be?
- Is your business operating in an economical manner? Is it providing services/products in an efficient and cost effective manner?
- Do you follow prudent business practices?



2. MONITORING TOOLS

- **What are management's reporting systems?
Financial and Operational data**
- **Are your systems and databases reliable?**
- **Are your reports reliable and accurate?**
- **Are all the transactions entered into the appropriate systems?**
- **How do you ensure that all the data is entered appropriately?**
- **Does your department have standard reporting structure?**
- **Does your department's reporting system data match the accounting's General Ledger?**

INTERNAL CONTROL

Question: What is internal control?

Answer: Internal control is a process designed to provide reasonable assurance that:

1. Operations are effective and efficient
2. Financial Reports are accurate and reliable
3. Compliance with laws and regulations

These controls can be placed either at:

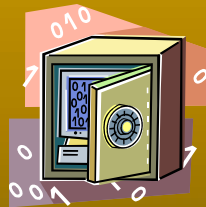
- Organization level; or
- Department level; or
- Division level; or
- Specific to an account balance, or class of transactions or applications

EXAMPLES OF INTERNAL CONTROL

1. AUTOMATED OR MANUAL



2. PHYSICAL SECURITY



3. DUAL CUSTODY



4. FIXED RESPONSIBILITY



EXAMPLES OF INTERNAL CONTROL

Cont...

5. SEPARATION OF DUTIES



6. COMPARISON OF RECORDS



7. ADEQUATE DOCUMENTATION AND RECORDS



8. PROPER AUTHORIZATION



GOAL OF INTERNAL CONTROL

Question: What is the ultimate goal of internal controls?

Answer:

**TO
PREVENT OR DETECT**



ERROR

AND/OR



FRAUD



NO INTERNAL CONTROLS

Question: What if there are no internal controls?

Are they required by any policies, laws, and regulations?

Answer: Internal controls are not required by policies, laws, and regulations but without internal controls entity cannot provide reasonable assurance that:

- The assets are safe
- Financial information is reliable, accurate, and in conformity with Generally Accepted Accounting Principles
- Operations and Financials are in compliance with laws and regulations

Balance between risk of a certain business practice and the level of control required to ensure business objectives are met



3. COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with:

- ✓ City Codes
- ✓ Administrative Policies Instructions (APIs)
- ✓ City Guidelines
- ✓ State and Federal Regulations

CONCLUSION



Input (Data/Information)



No/Weak Internal Controls



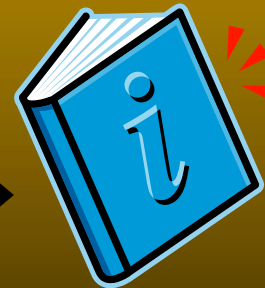
Output (Unreliable End Product*)
“Garbage”



Input (Data/Information)



Strong Internal Controls



Output (Reliable End Product*)

*End Product – Operations and Financials

**2008 REPORT TO THE NATION ON OCCUPATIONAL FRAUD & ABUSE
 (ASSOCIATION OF CERTIFIED FRAUD EXAMINERS)
 Breakdown of Primary Internal Control Weaknesses by Scheme Type**

