

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

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MANAGE FINANCIAL RESOURCES

Effectiveness and efficiency of operations

A. Management at appropriate levels approves trades.

Business risks

- Trade transactions lacking management approval will be executed.
- The company's trading activities will not be in its best interests.
- The company will be at a higher risk for investment fraud.

Control practices

1. Identify trade tickets through automated and sequential numbering.
2. Ensure that each trade ticket contains fields for all pertinent data and that the data is recorded in the fields prior to the appropriate level of management's review and approval.
3. Perform an independent one-to-one comparison of trade transactions approved with the trade transactions that are executed, covering items such as amounts, quantities, cost, maturity, and date. Research any significant discrepancies in a timely manner and make corrections as necessary.
4. Identify long outstanding trade transactions and resolve difficulties preventing completion.

B. Investments on hand are accurate and secure.

Business risks

- Investment documents will be lost or stolen.
- The company will be at a higher risk for investment fraud.
- Investment records will not accurately reflect securities on hand.

Control practices

- 1.

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C. Transactions are executed only with approved counterparties.

Business risks

- The company will be at a higher risk for investment fraud.
- The company will have to abide by bank or broker terms that are not in its best interest.

Control practices

1. Require that all bank and broker accounts, including terms such as commissions, be approved by management at an appropriate level before account establishment.
2. Ensure that management reviews periodically a list of all bank and broker accounts.
3. Ensure that management reviews periodically a list of company personnel approved to execute investment trades.
4. Ensure that management periodically reviews approval limits.
5. Provide all banks and brokers with up-to-date information specifying company personnel authorized to execute investment transactions in specific products or markets.

D. Only authorized users may post to the sub-ledger or general ledger.

Business risks

- The company will be at a higher risk for investment fraud.
- Inaccurate general ledger records will lead to inaccurate financial reports.

Control practices

1. Prevent unauthorized access to the system.
2. Use access controls, such as user IDs and passwords, specific to each application.
- 3.

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E. Duties are segregated appropriately.

Business risks

- Inadequate segregation of duties will increase the risk of investment fraud.

Control practices

1. Maintain segregation of duties between functions such as 1. Trade execution, 2. Confirmation processing, 3. Settlement processing, 4. Payment processing, 5. Risk management and reconciliations, and 6. The accounting process.
2. Subject functions to regular review by management to identify any incompatible duties that should be segregated, and investigate discrepancies and exceptions promptly.

Reliability of financial reporting

A. Trades are recorded accurately and in a timely manner (no later than trade date plus one).

Business risks

- Trades will not be recorded properly.

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B. Investments held by custodial account

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E. Classification of investment transactions as either held to maturity, trading, or available for sale is correct.

Business risks

- The company's investment strategy will be based on inaccurate classifications of debt and equity.

Control practices

1. Assess the appropriate classification for all debt and equity securities as either "held to maturity," "trading," or "available for sale" at each reporting period and require management to review classifications with an understanding of the nature and purpose of the investment. Research any unusual items and make corrections as necessary.

F. Pricing sources used to value the investment portfolio are valid.

Business risks

- The company will make decisions based on an inaccurately valued investment portfolio.
- Inaccurate investment valuations will lead to inaccurate financial reports.

Control practices

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I. Approved changes to standing data are input for processing completely and accurately.

Business risks

- Standing data will be incomplete or inaccurate.
- Changes to standing data will not be approved properly, increasing the risk of investment fraud.
- Incomplete or inaccurate changes to standing data will lead to inaccurate financial reports.

Control practices

1. Require an appropriate official to approve changes to standing data before input.
2. Require sufficient documentation to support each change to standing data.
3. Compare reports following inputs and updates to the change source documents for completeness and accuracy in a one-to-one check of changes input to the system. Resolve discrepancies and subject the reentered data to the same control process.
4. Configure the accounting system to produce a report of changes in specified types of standing data or of changes falling outside defined parameters.
5. Ensure that the system requires management to review supporting documentation and approve the new information before accepting specified types of changes.
6. Require those responsible for standing data regularly review the data and enter any changes using the standard process for changing standing data.
7. In using batch totals, separate input documents into groups. Calculate numerical totals for the quantity of documents, dollar amount, and hash items. Compare these totals to reports following inputs and updates. Research and reenter all out-of-balance conditions in a timely manner.