RISK ASSESSMENT TOOL: Business Processes

**Purpose**

This tool can be utilized by departments and units to determine where risks and opportunities for control activities exist within their administrative business processes.

For additional information on best practices for these business processes, refer to the HR Workplace Learning online training module *HRD 705 - Effective Business Operations: A Guide to Internal Controls*. Module #2 discusses sections I, II, and III of this risk assessment, and Module #3 covers sections IV, V, VI, and VII.

**Table of Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Cash, Revenues and Petty Cash</td>
<td>2</td>
</tr>
<tr>
<td>II. Purchasing and Payments</td>
<td>4</td>
</tr>
<tr>
<td>III. Budgeting</td>
<td>6</td>
</tr>
<tr>
<td>IV. Sponsored Programs</td>
<td>7</td>
</tr>
<tr>
<td>V. Payroll and Personnel</td>
<td>9</td>
</tr>
<tr>
<td>VI. Capital Equipment</td>
<td>10</td>
</tr>
<tr>
<td>VII. Information Technology</td>
<td>11</td>
</tr>
</tbody>
</table>
I. Cash, Revenues and Petty Cash

A. Proper Classification of Revenue
   1. Are revenue sources properly classified in the appropriate revenue account code?
   2. Are potential sponsored program revenues channeled through the Office for Sponsored Research?
   3. Is Accounting Services aware of all revenue sources subject to sales tax?
   4. Is Accounting Services aware of all revenue sources subject to unrelated business income tax?
   5. Are all patent revenues handled within the guidelines of the Innovation and New Ventures technology transfer process?

B. Segregating Duties
   1. Are the following responsibilities distributed among personnel so one person is not responsible for all aspects: opening mail, endorsing checks, entering the cash receipt ticket (CRT), committing the CRT, preparing deposits, and reconciling to NUFinancials?
   2. Are invoicing and collection duties distributed among personnel?

C. Safeguarding Cash Receipts
   1. Are credit checks conducted for all individuals who have access to cash in excess of $5,000 at any one time?
   2. Are checks endorsed immediately upon receipt?
   3. Are receipts kept in a secure location until deposit (e.g., safe, locked drawer, etc.)?
   4. Are cash registers restricted to authorized personnel?
   5. Are deposits received via the Internet in compliance with the NU E-commerce Policy?

D. Cash Receipt Processing
   1. Are deposits made daily and/or in compliance with Depository Services guidelines?
   2. Are daily cash register readings recorded on the daily cash reports and reconciled to daily deposits?
   3. Are processed credit card charges/credits handled properly and timely?
   4. Are accounts receivables reconciled to NUFinancials monthly?

E. Invoicing
   1. Are sales forms and invoices accounted for to ensure all sales are billed and recorded?
   2. Is an open receivables aging report generated and reconciled to open invoices and reviewed monthly?

F. Gift Receipts
   1. Are receipts properly classified as gifts?
   2. Are restricted gifts deposited into separate chart strings?
   3. Are all gifts donated by faculty/staff deposited into chart strings over which the donors do not have control?
   4. Are gift revenues transported to The Office of Alumni Relations and Development in a timely manner?

G. Petty Cash
   1. Is access to the petty cash fund restricted to the petty cash custodian?
2. Are petty cash disbursements made upon presentation of approved petty cash payout forms with any required supporting documentation (e.g., receipts)?

3. Is the petty cash fund replenished every 30 days to ensure sufficient funds are available and expenses are charged to the proper fiscal year?

4. Is the petty cash fund in agreement with NUFinancials?
II. Purchasing and Payments

A. Segregating Duties
   1. Are the following responsibilities distributed among personnel so that no one individual performs all aspects?
   2. Entry/approval of requisitions/purchases in NUFinancials?
   3. Reconciling disbursements to NUFinancials?

B. Disbursement Documentation
   1. Are vendors selected because they provide the best quality for good value?
   2. Are disbursements appropriate to University purpose?
   3. Is a requisition initiated for purchases of goods and services?
   4. Is the Online Voucher (Direct Payment Request) process used only for the following: recurring payments for registration fees, subscriptions, membership dues, repairs (unplanned or emergency), research subject fees, international check or wire payments, to open or replenish a petty cash fund, and contracted and direct billed services (e.g. for consultant or contract staffing agency payments, hotel charges when hosting a conference/academic function, direct bill for visitor travel [on an exception basis] or use Contracted Services Form for payments to individual contractors/consultants)?
   5. Is sales tax deducted before disbursements are made?
   6. Are disbursements posted to the appropriate chart string and account and category codes?
   7. Are restricted funds (gift, endowment income, etc.) used only for the intended purpose?
   8. Are department personnel aware of any spending restrictions on department chart strings?
   9. Are individuals discouraged from using a University chart string to purchase items for personal use and subsequently reimburse the University?
   10. Do payments made to independent contractors and/or consultants follow university guidelines and are they supported by a Contracted Services Form?
   11. Is the department aware that information for paying individuals is available at http://www.northwestern.edu/hr/policies-forms/policies-procedures/payroll-admin/engaging-individuals-as-independent-contractors.html?
   12. The department does NOT maintain a checking account, credit card (with the exception of the approved University fuel card or Procurement Card (p-card) programs), or house account?
   13. Are University guidelines followed when a University approved fuel card or p-card is used?
   14. Are “purchase order receipts” entered into NUFinancials on a timely basis when required?
   15. Are purchases processed in a timely manner (90-day rule)?
   16. Is the Match Exception Report (SC027) reviewed regularly?
   17. Is the Open Encumbrances Report (SC016) reviewed periodically and addressed as needed?

C. Employee/Visitor Travel and Entertainment Expense Reports
   1. Is the Expense Report initiated within 30 days of travel or entertainment?
   2. Does the Expense Report indicate the business purpose of the trip and dates traveled?
   3. Does the Expense Report contain corroborating support such as conference brochures?
   4. Is the Expense Report supported by itemized receipts?
   5. Does the Expense Report include airfare and/or registration fees paid previously?
   6. Does the Expense Report reflect approval by the employee's immediate supervisor?
   7. Are Expense Reports reviewed for non-allowable charges or charges over maximum dollar thresholds per NU Travel, Entertainment & Courtesy Guidelines?
8. Are exception forms completed for justified departures from guidelines?
9. Are Expense Reports tracked to ensure electronic approval has been applied?
10. For group meals, is the business purpose and the names of all attendees, as well as their relationship to the University, included on the Expense Report?
11. Are the NU Travel, Entertainment & Courtesy Guidelines followed?
III. Budgeting

A. Chart String Reconciliations
   1. Are transactions on the COGNOS Revenue & Expense Report (GL008) reconciled to the supporting documentation and to the COGNOS Summary Budget Status Report (GL005) in a timely manner? Are variances investigated and resolved in a timely manner?
   2. Are the COGNOS budget reports (GL005 and GL008) and the reconciliation given to the chart string manager for their review and approval? (This process should occur monthly, but no less than every 90 days. The chart string manager and the unit is responsible for maintaining an appropriate record for documenting that a review has taken place.) Refer to the following for additional information on the Chart String Reconciliation policy: http://www.northwestern.edu/financial-operations/policies-procedures/purchasing/BudgetReconciliationProcedures.pdf
   3. Are all journals reviewed for propriety and are they in agreement with supporting documentation?
   4. Are the duties of initiating transactions and performing budget reconciliations distributed among different individuals within the department?

B. Recharge Centers
   1. Has recharge center activity been properly identified?
   2. Has each recharge center rate been established according to the Office of Cost Studies guidelines?
   3. Have annual rate analyses been submitted to the Office of Cost Studies?
   4. Are recharge activity journals submitted in a timely manner?
   5. Does the journal include an adequate description of the recharge activity?
IV. Sponsored Programs

A. Use of Sponsored Project Funds
1. Are all contracts reviewed by the Office for Sponsored Research, when applicable? For criteria see https://osr.northwestern.edu/policies/sponsored-projects-versus-gifts and for more information see https://osr.northwestern.edu/agreements.
2. Are all charges to grant chart strings authorized by the responsible principal investigator (PI)? Do you require some form of written authorization (standard form, email)?
3. Are charges for office supplies, phone calls and copies monitored and only allocated to grant chart strings if allowed by the granting agency? For the Mobile Communications and Home Computing Policy see http://www.northwestern.edu/financial-operations/policies-procedures/policies/MobileGuidelines.pdf.
4. Does the department ensure proper classification of expenses, as well as appropriateness to restrictive purpose?
5. Are correction journals initiated for accounting corrections issued within established guidelines (within 90 days)?
6. Do PIs receive copies of the Sponsored Project Budget Statements (GM045), Revenue & Expense Report (GL008), and Report by Account from VistaPlus, and other items relating to their grants and document their review and approval of these reports?
7. Is subcontracted work monitored for accuracy and compliance with the grant proposal?
8. Is the department aware of the University’s policies and procedures relating to the paying of foreign or domestic individuals who do not work for NU (reimbursements to employees and individuals who are U.S. residents)? Have the faculty researchers been notified and made aware of these policies?
9. Are export guidelines followed for all chemicals/materials that are shipped abroad? For guidelines please see http://exports.northwestern.edu/.
10. Are regulatory procedures with respect to animal and human testing followed?
11. Are transactions processed within the required 90-day time frame?
13. Does the department monitor grant closing dates to ensure that all funds are appropriately expended or that a no-cost extension has been requested?
14. Are grant closeout procedures in compliance with the Office for Sponsored Research and the Office of Accounting Services for Research and Sponsored Programs policies?

B. Effort Reporting
1. Do the PIs monitor their time spent on grants?
2. Is the quarterly effort report certified by the PI, using salary charged information only as a guide?
3. Are all teaching, departmental responsibilities and time expended on clinical trials (if applicable) included in the certification?
4. Are discrepancies between effort commitments and salary charges addressed in a timely manner?
5. Does the department monitor the cost-sharing (e.g. voluntary/involuntary) portion of the grant?

C. Sponsored Projects Revenues
1. Are all revenues produced by sponsored projects (e.g. books, seminars) processed through the Office for Sponsored Research?
2. Are released funds monitored and tracked by the department?
3. Is all intellectual property produced by grants processed through the Innovation and New Ventures technology transfer process?
V. Payroll and Personnel

A. Segregation of Duties / General Payroll Procedures
   1. The payroll processing duties are adequately segregated so that no one employee has control over all aspects of the payroll function (e.g. submitting payroll information to HR, receiving the payroll checks, and reconciling payroll transactions).
   2. Are the names and amounts on the Report by Account from VistaPlus reviewed? Is this report reconciled to timesheets where applicable?
   3. Are HR procedures followed when using a Special Pay or Additional Pay request form?
   4. Is the department’s suspense chart string reviewed monthly and cleared of all payroll transactions?

B. Time Records
   1. Does the immediate supervisor review employee timesheets for accuracy and completeness and approve them within Kronos?
   2. With respect to overtime:
   3. Does proper authorization exist for overtime incurred?
   4. Is there a reason why overtime is being incurred?
   5. Are the correct hourly wage rates in effect?
   6. Are temporary employee hours and work-study employee earnings monitored to ensure respective limits are not exceeded?

C. Monitoring Time Off
   1. Are records maintained to monitor and verify exempt vacation, sick, and personal days recorded in Kronos?
   2. Do supervisors review these records for their exempt and non-exempt employees prior to applying their approvals in Kronos?

D. Human Resources Procedures
   1. Are the Department of Human Resources procedures followed when hiring a new employee? For hiring resources see http://www.northwestern.edu/hr/managers-administrators/hiring-termination-resources/index.html.
   2. Is Risk Management notified of visiting scholars for complying with health insurance requirements?
   3. Are offer letters generated in the department for faculty, graduate, and post-doc candidates? If so, do the Provost’s Office for faculty members and the Graduate School for post-docs review the offer for reasonableness before the candidate is notified of the offer?
   4. Are procedures in place for new hire orientation including identifying what training classes the staff member will need?
   5. Are written job descriptions for department positions maintained, updated, and communicated to employees?
   6. Are employees’ confidential files located in a secure/locked location?
   7. Are procedures in place to ensure that all members of the department are aware of NU’s policies and procedures?
   8. Are exit interviews held with terminated employees to recover NU property (e.g., keys, equipment?)
   9. Are signature authorities, passwords, and authorization codes canceled timely for terminated employees?
VI. Capital Equipment

A. Existence of Capital Equipment
   1. Is the NU Capital Equipment Property Listing for the department verified periodically by comparison with actual equipment on hand?
   2. Are all capital assets (with a cost of $5,000 or more) tagged with an NU property tag?
   3. Does the department maintain its own property listing for equipment valued below $5,000?
   4. Are stocked items inventoried on a periodic basis? Is access to inventories restricted to authorized personnel only?

B. Disposed Equipment Reporting
   1. Is the Asset Self Service portlet used to dispose of or retire capital equipment? See link here http://ffra.northwestern.edu/training/fms750-asset-dispose-transfer.html#Dispose
   2. Does the department utilize the Property Surplus program? For more information, see http://www.northwestern.edu/procurement/about/surplusproperty/.

C. Safeguarding of Capital Equipment
   1. Are anti-theft devices used?
   2. Are other measures used to safeguard highly portable capital equipment?

D. Physical Security
   1. Are offices and work areas locked when unattended or access restricted to safeguard assets?
   2. Are office/building keys monitored and safeguarded?
   3. With respect to the latest Northwestern Safety Information System (NISIS) inspection report issued by the Office for Research Safety is the department in compliance with safety regulations? For any safety concerns/incidents cited in the report, has corrective action been taken?
   4. With respect to the latest inspection by Risk Management’s Safety Division, have any building safety concerns cited been addressed?
VII. Information Technology

A. Physical Security and Environmental Controls
   1. Is all the computer equipment located in secure offices and/or are lockdown devices installed to prevent theft of the equipment?
   2. Are the offices where the computer equipment is located equipped with any necessary environmental control devices, such as:
      3. Uninterruptible power supply (UPS)
      4. Temperature and humidity controllers (ensure a backup A/C Unit exists)
      5. Emergency power cut-off switches
      6. Smoke detectors/fire extinguishers

B. Department Infrastructure
   1. Does the department maintain a listing of personal computers in the department by make (manufacturer) and model number, user and the PC’s function?
   2. Does the department maintain a listing of all installed software application names, versions, and license numbers on each PC?
   3. Does the department require all computers to run the most current version of anti-virus software?
   4. Does the department require that security updates are applied to operating systems and applications in a timely manner? Is a mechanism in place to ensure that this happens?
   5. Is encryption used where appropriate to protect confidential data from disclosure?
   6. Do you have a website that complies with NU web standards published by University Relations? Is the website periodically updated so that all departmental information is current?

C. Backup and Disaster Recovery Procedures
   1. Has the department documented disaster recovery procedures? Are these updated periodically?
   2. Has sensitive data been identified and classified according to NU’s Data Access policy? Are appropriate safeguards in place over the data based on its classification?
   3. Does the department require that all staff periodically backup their data?
   4. Are generations of backups kept (e.g., in the event of a virus or disk drive malfunction, can prior generations of backups be used to restore otherwise destroyed files)?
   5. Are backups stored in secured locations that are physically separate from the original data?
   6. Are the backups periodically tested to ensure the data can be recovered?

D. Network Administration
   1. Are separate user-ids and passwords required to gain access to the (personal computer) PC or local area network (LAN) and then to the actual application and data files within the PC or LAN.
   2. Is authorization required for users to gain access to the LAN? Is this authorization documented?
   3. Are processes in place to ensure that faculty and staff access privileges are removed from applications and/or the network if they leave the University and/or the department? Are existing privileges periodically reviewed for appropriateness?
   4. Has the Northwestern University Information Technology department activated the “eavesdrop prevention” feature for the department’s subnets?
5. Is computer equipment connected to individual data ports? (Note: if your department uses hublets, that allows multiple computers to be connected to one port, this is a violation of the NUIT policy against extending the NU network).