VCU ARMICS FAQs

Scope and Responsibility

1. **Who is responsible for ARMICS?**
   The Controller's Office coordinates the program. However, management at each department, school, and VP level is responsible for implementing the process within their areas, to support their annual certification.

2. **What processes does my unit need to have documented/tested in the ARMICS database?**
   Each unit's management is responsible for evaluating and defining its "significant fiscal processes," based on its unique operations (See Question 3 below). Units should evaluate both processes that are unique to its operations (e.g., only Student Enrollment managing student billing) and those that it participates in that are found across the University (e.g., processing requisitions).

3. **What constitutes a "significant" fiscal process?**
   Unit leadership must apply judgement. Here are some good indicators of significance for fiscal processes:
   i. Quantitative Significance:
      1. Process consumes a proportionally large share of resources
      2. Process impacts a significant amount of money, whether revenues, expenses, or other reported amounts
   ii. Qualitative Significance:
      1. Errors in the fiscal process could have significant regulatory/legal implications for the University, regardless of dollar amount
      2. Process is particularly vulnerable to fraud
      3. Process is mission-critical for the University
      4. The "Newspaper" test - if the process were not functioning correctly and a reporter found out, the University would receive bad publicity

4. **What policies and regulations apply to ARMICS?**
   - VCU Policy: Maintenance of Adequate Internal Control
   - State Policy: Agency Risk Management and Internal Control Standards
   - State Policy: Commonwealth Accounting Policies and Procedures Topic 10305, Internal Control

Internal Controls

1. **What is an internal control?**
   Internal control activities are specific actions that mitigate a risk. They may be described in policies and procedures, but the control itself is the implementation of the specific action. If it is relied upon to prevent, detect, or correct an error, it is probably an internal control.
   Examples:
   - Authorizations
   - Review/Approvals
   - Verifications
   - Reconciliations
   - Physical security over assets

- System settings in applications or programs (i.e., maximum limits, edit checks, etc.)

Control Testing

1. How do I test a control?

A control test can be as simple as reviewing a report, or pulling samples to ensure a particular step (control) was performed. The riskier a process is, the more stringent testing should be. Consider both risk and efficiency. The goal is reasonable assurance.

General Examples:
1. Inquiry and observation of personnel performing the control
2. Inspection of relevant documentation
3. Walkthroughs of the fiscal process by the examiner
4. Re-performance of the control by the examiner

Specific Examples:

Control	Purpose (Risk the Control Addresses)	Possible Test
Petty cash is kept secure and locked	To ensure cash is not stolen	**OBSERVE.** View where petty cash is kept, validating that it is properly secured.
Checks are endorsed with a stamp "For Deposit Only – VCU" upon receipt	To protect against theft and fraudulent deposit	**OBSERVE.** For one day's deposit, verify that all checks collected have the "For Deposit Only" stamp.
P-Card Users retain supporting documentation of purchases	To ensure purchases are appropriate and not fraudulent	**SAMPLE.** Select a sample of purchases within BOA Works, and validate that the proper documentation is retained (in BOA works, or hardcopy, depending on your unit's procedures).
P-Card purchases are approved by the cardholder's supervisor	To ensure purchases are appropriate and not fraudulent	**REVIEW REPORT.** Filter the BOA Works transaction report for your department and the most statement cycle. Ensure all transactions were timely approved. Note: If your department has many cardholders/various approvers, you may want to **sample** cardholders for such a review, to obtain adequate coverage.
Monthly Index Reconciliations are performed	To ensure payroll charges are accurate	**SAMPLE/REPERFORM.** Select a recent month in the year, and a few significant indexes for your department/unit. Ensure reconciliation was properly completed and signed off on, and double check the personnel paid to validate that it was correct.

5. **When should control test work occur?**

   Test work for a fiscal year does not have to occur right at yearend. Test work can be performed throughout the year.

   However, keep in mind that the certification is as of June at the end of the fiscal year. Therefore, if a Unit's management decides to have testwork performed earlier in the year, management should be reasonably confident that the process remains consistent and reliable through the end of the year.

6. **What is required for control test work documentation?**

   The ARMICS Database should house the primary record/summary of test work performed. To support the conclusion over control effectiveness, documentation should indicate:

   1. Who performed the test
   2. What they looked at
   3. What they checked for
   4. What they found

   Units are encouraged to retain the detailed support of test work on their local drives for audit purposes.

   Note: VCU is required to maintain ARMICS documentation for a three year rolling basis.

7. **In testing, how do I know when it's good enough to look at one example, versus a sample of items processed?**

   This takes risk-based judgement. A good rule of thumb: For automatic system controls, one example may be enough to validate that the control works. For a more manual process with more room for inconsistency/human error, you probably need to sample multiple few items to ensure the control works consistently.

8. **Are there any pre-designed tests of controls available for fiscal processes that many departments own?**

   The Controller's Office provides suggested testing procedures for several common processes, along with corresponding template risk assessments. These can be found in the ARMICS database under "Resources." However, units are still responsible for tailoring process documentation and control testing to their specific environment.

9. **Who should perform control tests in my area?**

   - If the control is *performed by an individual*, tests performed by a separate person are more valuable.
     - E.G., a department's only P-Card holder shouldn't be the one who samples P-Card transactions to verify that they were properly approved and supported by receipts. Someone else should test this.
   - If the control is *an automatic system control*, it may be appropriate for an individual who works with the system to validate that the control works.
     - E.G., Financial Aid has system "rules" within Banner to automatically categorize each student for financial aid eligibility. Someone familiar with the requirements/process should validate that these roles are setup accurately within Banner.
   - Note: Avoid individual "self-testing" when possible. For smaller units, it may not be possible to have a second person within the unit perform the test work. Units are encouraged to collaborate with other units to test each other's processes.

10. **I perform this control all year. Isn't it just redundant for me to test if it's happening or not?**
    You shouldn't be checking yourself, if possible. Rather, a separate individual in your department should be validating that you are performing the control, and that it achieves its control objective.

11. **What do I do if there are issues noted in my areas testing?**
    Evaluate the significance of the issue. Does it appear this was a one-off mistake, or indicative of a wider-spread problem? Each area's certifiers need to ensure they've evaluated any issues known.

    Significant issues must be discussed with the Controller's Office to evaluate whether a formal or informal Corrective Action Plan is necessary.

ARMICS Database

12. **How do I gain access to the ARMICS Database?**
    - Each department's ARMICS Coordinator can grant this under Administration>Users, simply by knowing your EID.
    - Email Anthony Locatelli (Locatelliam@vcu.edu) for further assistance.

13. **How do I update the ARMICS Database for process assessment/testing?**
    - **Updating a process that is already documented in the database:**
      Users with "Allow Edit" access can change the Process/Risk documentation (Columns: Task, Potential Risk Event, Potential Problem or Misstatement, Risk Event Likelihood/Significance before Controls, Control Activities, Control Objectives). Enter change and click "Save/Approve Risk Assessment."
    - **Adding/Deleting Rows in a process:**
      Users with "Allow Edit" access can click "Add Row" or "Delete" as needed.
    - **Entering a process that has not been documented before:**
      Use the Excel "Process Assessment Template" on the VCU ARMICS website. For upload, email the process assessment to Jean Chen, CC: Anthony Locatelli.
    - **Entering test work descriptions/results:**
      Users with "Auditor" access can type results in and click "Save New Control Testing."

14. **Will I delete my old data when I enter new test work or change the process?**
    The database is saved and archived as of June 30, each year. The prior yearend data can always be viewed by selecting that fiscal year prior to opening the process assessment. However, within a fiscal year, changes will overwrite that year's record.