2701.4 ADDENDUM - INTERNAL CONTROL STANDARD #4: TIME CYCLE

Subject: Internal Control
Effective: December, 1986
Revised:
Last Reviewed: April 2016
Responsible Office: Comptroller
Approval: Comptroller

DEFINITION

The time cycle, not strictly related to transaction flows, includes events caused by the passage of time, controls that are applied only periodically, certain custodial activities, and the financial reporting process. Included in the time cycle are controls over the continuous transaction processing systems, such as budgeting, trial balance preparation, inventories and fixed asset verification.

GENERAL STANDARDS

1. All financial reports (both internal and external) should be prepared accurately and submitted on a consistent and timely basis.

2. Adequate procedures should be followed to confirm the physical existence of inventories recorded in the general ledger.

3. Costs attributable to inventories should be accurately determined.

4. Adequate steps should be taken to identify all inventories for which provisions may be required.

5. Adequate steps should be taken to confirm the physical existence of, and, if appropriate, the title to property, plant and equipment.

6. All doubtful accounts receivable should be identified (either individually or by categories) in order to determine any provisions required for such accounts.

7. Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger.

8. Investments should be accurately accounted for and adequately safeguarded.

9. Accurate records should be maintained with regard to bond issues and debt obligations, and all related transactions should be under adequate accounting control.

10. All valid general ledger entries, and only those entries, should be accurately recorded in the general ledger.

11. Documents of value owned by others, but held by the University as security or otherwise (e.g., documents of title or stock certificates) should be adequately safeguarded and periodically confirmed with the owners in order to determine the liability for any losses arising from such arrangements.

12. Amortization of deferred expenditures and intangible assets should be provided at appropriate rates and the value of such assets should be periodically reviewed so as to determine any required amortization provisions.

13. All doubtful non-trade debts receivable (e.g., loans to employees and others, expense advances or uncollectible pledges) should be reviewed periodically in order to determine the adequacy of the reserve provisions against such receivables.