



CARLETON UNIVERSITY
SPROTT SCHOOL OF BUSINESS
BUSI4901 A– Internal Control Systems
Fall 2017

Instructor: Ouafa Sakka, Ph.D.

Office: DT 1008

Office Hours: Fridays 3:00 p.m.-4:30 p.m.

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Phone Number: 613 520 2600 ext. 3109

Course meets: Wednesdays 11:35a.m.- 2:25p.m. Room: CO 214

Pre-requisites & precluded Courses:

Permission of the School of Business.

Calendar Course description

A selected topics course may be offered. Eligibility for this course to serve as an option for specific concentrations is to be established by the School.

Course Description

The course begins with an examination of the theory and legislation that underlie the practice of corporate governance, risk management and internal controls in organizations. It then covers the specific advantages, risks and controls related to the use of information technologies in modern corporations and introduces the students to an auditing software package (Mindbridge). In the second half of the course, the risks and controls related to the following three business processes will be covered: the Revenue process, the Expenditure process and the Conversion process.

The content of this course emphasizes the importance of promoting ethical behavior in organizations and provides the students with practical examples of solutions that can be implemented to prevent fraudulent and unethical activities. The course is relevant to future accountants, external and internal auditors as well as business managers in general.

Course Objectives

At the end of this course, students will be able to:

- understand the usefulness of various legislations (e.g. SOX act; COSO framework) in designing companies' governance, risk management and control systems;

- understand unethical and fraudulent behavior committed by employees, customers, vendors and top managers, understand its impact on the quality of accounting information, and suggest practical solutions to prevent it;
- identify the advantages and the risks associated with the use of advanced information technologies in organizations and be able to suggest appropriate controls;
- document organizational business processes and understand the related risks and controls including the limitations of controls;
- discuss the strengths and weaknesses of existing controls in a given organization and suggest solutions;
- use a commercial auditing software package (Mindbridge).

Reading (s)/Textbook (s):

1) Electronic-custom version of **Moeller, R.R. (2011)**. COSO Enterprise Risk Management: establishing effective governance, risk and compliance processes. Second Edition. Wiley.; and **Turner, L. & Weickgenannt, A. (2017)**. Accounting Information Systems: controls and processes. Third Edition, Wiley.

- **a weblink to purchase the-version of the textbook will be provided in cuLearn on September 9th**

2) Material posted to CuLearn.

Course Requirements & Methods of Evaluation:

| | |
|-----------------------|--------------------|
| Class Participation | 20% |
| Midterm | 30% |
| Case Study Assignment | 20% |
| Term project | 30% |
| Total | <u>100%</u> |

CLASS PARTICIPATION (20%)

The objective is to have a very interactive class. Your class participation consists of two components, as follows:

- **In-class discussions (10%)**: this participation mark evaluates the students' contributions to the class general discussion as well as to the specific discussions of case studies during the semester. To be able to contribute to the class general discussions, the students are expected to read specific chapters from the textbook and are encouraged to take note for themselves when making these readings. These readings will then be used in class to discuss the course main concepts. To be able to contribute to the case studies' discussions, the students are expected to read the case **before** coming to the class (the case will be provided to the students in advance). The students will be asked to work in groups

to answer the case in class, then the case will be discussed. The discussion will cover, at the minimum, the following items:

- 1- a general introduction of the case: main topic, summary of the case;
- 2- the solution to each of the questions in the case;
- 3- lessons learned from the case.

- **Presentations related to the term project (10%):** depending on the total class size, the term project will be individual or done by group of students. Each student/group will choose a Canadian public company and analyze their internal controls (more information about the term project is provided below and in cuLearn). Each student/group is expected to make three short presentations of 3 mn each about their progress in the term project (total of 5%), on the dates specified in the course schedule. The content of each presentation will be communicated in class. Each student/group will also make a final presentation of their term project at the end of the semester (5%).

MIDTERM (30%)

One midterm examination of 2 hours is scheduled on **November 22nd**. The midterm will be written during regular class time and will cover all the material covered in class up to the week before the midterm date.

The only valid excuse for missing a test is for medical reasons or death in the family and must be documented with a medical certificate/obituary. In such circumstances, there will be no make-up test; the grade weighting of the missed test will be added to the grade weighting of the next assignment due in the semester. Students without a valid excuse for missing a test will receive a grade of 0 for the test.

CASE STUDY ASSIGNMENT (20%)

This is an individual project. It involves two parts:

- 1- in part 1, the students are required to qualitatively analyze a fraud case using the frameworks covered in class (15%). Your answer to the case study should be typed and is due on October 18th at the beginning of the class. **A penalty will be applied for late assignments (1 mark for each extra day).**
- 2- in part 2, the students will be provided with financial data from the company where the fraud took place and will be asked to use an auditing software package (solution developed by Mindbridge) to analyze the data and detect the transactions that need further exploration. The auditing software will be covered in class to show the students how it should be used (5%). The assignment is due on November 15th.

TERM PROJECT (30%)

Depending on the total class size, this may be an individual or a group component. The students are asked to write a report that analyzes the governance, risk management and internal controls of a Canadian public company based on the public information available to them. The students are expected to hand in a 20-page written assignment. Specific information about the term project will be posted to cuLearn and explained in class.

The written report is due from all on **December 22nd at 5:00p.m.. A penalty will be applied for late assignments and for extra length (1 mark taken off for each extra day and for each extra page).**

CLASS FORMAT AND CLASS INVOLVEMENT

Class time will be divided among lectures, class discussions, guest speakers and student presentations. It is expected that all students will come to class readings done and prepared to participate in any discussions. Any student who misses a class is responsible for obtaining notes from a classmate. Students are also expected to turn off any cell phone, beeper and/or other electronic devices during class time; this is to avoid disturbance in class.

CLASS SCHEDULE (Tentative)

| Week/ Date | TOPICS | READINGS | CASES AND ASSIGNMENTS |
|-------------------------------------|--|--|--|
| Week 1 Sept 13 | Course overview Topic 1- Introduction to the course Topic 2- Corporate Governance and related legislations | Moeller (2011)- CHAPTER 9- Sarbanes-Oxley and enterprise-risk management concerns | |
| Week 2 Sept 20 | Topic 3- How to establish a corporate culture that promotes ethical behavior Guest Speaker (Sarbanes-Oxley)* | Moeller (2011)- CHAPTER 10- Corporate culture and risk portfolio management Moeller (2011)- CHAPTER 16- Establishing an effective GRC culture throughout the enterprise | Case 1- Corporate governance |
| Week 3 Sept 27 | Topic 4- Introduction to the COSO framework | Moeller (2011)- CHAPTER 8- Integrating ERM with COSO internal controls | Case 2- Biltrite case Term project- presentation 1 |
| Week 4 Oct 4 | Topic 4- Risk management (Cont'd) | Moeller (2011)- CHAPTER 4- COSO ERM framework CHAPTER 12- importance of GRC principles in the board room | Case 2- Biltrite case (Cont'd) Case 3- Risk management reporting |
| Week 5 Oct 11 | Topic 5- Information system controls and disaster recovery planning | Moeller (2011)- CHAPTER 15- Information Technology and enterprise risk management | Case 4- IT implementation Case 5- disaster recovery planning |
| Week 6 Oct 18 | Wrap-up Guest speaker: Mindbridge software | | Term project- presentation 2 Case study assignment- part 1 due from all |
| FALL BREAK- OCT 23 To OCT 27 | | | |
| Week 7 Nov 1 | Topic 6- Specific process controls: Revenue cycle | Turner (2017)- CHAPTER 8- Revenue and cash collection processes and controls | Case 6- Revenue cycle |

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|--------------------------|--|---|---|
| Week 8 Nov 8 | Topic 7- Specific process controls: Expenditure cycle | Turner (2017)- CHAPTER 9- Expenditures processes and controls- purchases Turner (2017)- CHAPTER 10- Expenditures processes and controls- payroll | Case 7- Expenditure cycle |
| Week 9 Nov 15 | Topic 8- Specific process controls: conversion cycle Guest speaker: Expenditure processing software* | Turner (2017)- CHAPTER 11- Conversion processes and controls | Case 8- conversion cycle Term project- presentation 3 Assignment part 2 due from all (Mindbridge) |
| Week 10 Nov 22 | Wrap-up and midterm | | |
| Week 11 Nov 29 | Guest Speaker*: IT auditing Term project presentations | | |
| Week 12 Dec 6 | Term project presentations | | |

* The dates for receiving the guest speakers will be confirmed during the semester

ADDITIONAL INFORMATION

Course Sharing Websites

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

| | | | |
|--------------|-------------|-------------|-------------|
| A+ = 90-100 | B+ = 77-79 | C+ = 67-69 | D+ = 57-59 |
| A = 85-89 | B = 73-76 | C = 63-66 | D = 53-56 |
| A - = 80-84 | B - = 70-72 | C - = 60-62 | D - = 50-52 |
| F = Below 50 | | | |

Grades entered by Registrar:
 WDN = Withdrawn from the course
 DEF = Deferred

Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodations

For Students with Disabilities:

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your **Letter of Accommodation** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks will be reviewed on a case-by-case basis.** After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website (www.carleton.ca/pmc) for the deadline to request accommodations for the formally-scheduled exam (*if applicable*).

For Religious Obligations:

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

For Pregnancy:

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic

Integrity Policy which is available, along with resources for compliance at: <http://carleton.ca/studentaffairs/academic-integrity>.

Sprott Student Services

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you are having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/learning-support/>

Centre for Student Academic Support

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: carleton.ca/csas.

Important Information:

- Students must always retain a hard copy of all work that is submitted.
 - All final grades are subject to the Dean's approval.
 - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton CMail account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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Undergraduate Calendar FALL TERM 2017

| Date | Activity |
|---|---|
| September 1, 2017 | Last day for receipt of applications from potential fall (November) graduates. |
| September 4, 2017 | Statutory holiday. University closed. |
| September 5, 2017 | Academic orientation (undergraduate and graduate students). Orientation for new Teaching Assistants. All students are expected to be on campus. Class and laboratory preparations, departmental introductions for students and other academic preparation activities will be held. |
| September 6, 2017 | Fall term begins. Fall and fall/winter classes begin. |
| September 15-17, 2017 | Full and late summer term deferred final examinations to be held. |
| September 19, 2017 | Last day of registration for fall term and fall/winter courses. Last day to change courses or sections (including auditing) for fall term and fall/winter courses. Graduate students who have not electronically submitted their final thesis copy to the Faculty of Graduate and Postdoctoral Affairs will not be eligible to graduate in fall 2017 and must register for the fall 2017 term. |
| September 30, 2017 | Last day to withdraw from fall term and fall/winter courses with a full fee adjustment. |
| October 6, 2017 | December examination schedule (fall term final and fall/winter mid-terms) available online. |
| October 9, 2017 | Statutory holiday. University closed. |
| October 15, 2017 | Last day for receipt of applications for admission to an undergraduate degree program for the winter term from applicants whose documents originate from outside Canada or the United States. |
| October 23-27, 2017 | Fall break, no classes. |
| November 10, 2017 | Last day to request Formal Examination Accommodation Forms for December examinations to the Paul Menton Centre for Students with Disabilities. Note that it may not be possible to fulfil accommodation requests received after the specified deadlines. |
| November 15, 2017 | Last day for receipt of applications for admission to an undergraduate degree program for the winter term. |
| November 24, 2017 | Last day for summative or final examinations in fall term courses before the official examination period (see Examination Regulations in the Academic Regulations of the University section of the Undergraduate Calendar). |
| December 1, 2017 | Last day for receipt of applications from potential winter (February) graduates. Last day for graduate students to submit their supervisor-approved thesis, in examinable form to the department. |
| December 8, 2017 | Fall term ends. Last day of fall term classes. Classes follow a Monday schedule. Last day for academic withdrawal from fall term courses. Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for fall term courses. Last day for receipt of applications for undergraduate degree program transfers for winter term. |
| December 9, 2017 | No classes or examinations take place. |
| December 10-22, 2017 | Final examinations in fall term courses and mid-term examinations in fall/winter courses may be held. Examinations are normally held all seven days of the week. |
| December 22, 2017 | All take home examinations are due. |
| December 25 through January 1, 2018 inclusive | University closed. |