

2014 BRINGING ADMINISTRATORS TOGETHER CONFERENCE

Internal Controls and Fraud Prevention For Your Unit

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UIC UNIVERSITY OF ILLINOIS
AT CHICAGO

Workshop Presenter

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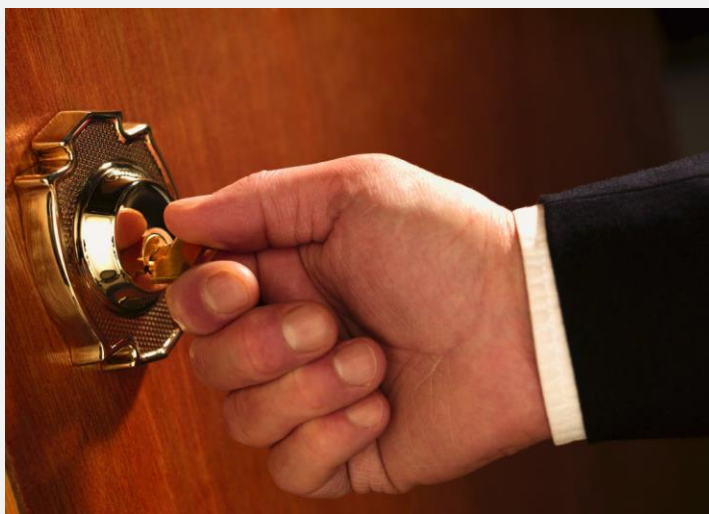
Please ...

- Turn off cell phones.
- Avoid side conversations.
- Please ask questions at anytime by raising your hand.
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.

Workshop Objectives

- Learn about:
 - Strengths and weaknesses of different internal control types.
 - Internal control issues identified through most recent internal audits.
 - Different fraud schemes investigated at UIC.
 - Personal characteristics and behavior of fraudsters.

Why have internal controls?



Types of Internal Controls

- **Detective**
 - Designed to detect errors or irregularities that may have occurred.
- **Preventive**
 - Designed to keep errors or irregularities from occurring in the first place.
- **Corrective**
 - Designed to correct errors or irregularities that have been detected.

Internal control design considerations



Case Study

- The control needs to fit your resources.
- Build in segregation of duties.
- Communicate to all employees how the particular business process is suppose to work.
- Management oversight.

Transaction Cycles

- Organization & Management
- Administrative Support Services
- Budgeting, Accounting, & Reporting
- Purchasing, Contracting, & Leasing
- Expenditures
 - P-Card
 - T-Card
 - i-Buy

Transaction Cycles

- Personnel & Payroll
- Property, Equipment, & Inventories
- Revenues & Receivables
- Cash & Local Funds
- Gift & Grant Administration
- Information Technology

Recent Internal Control Issues

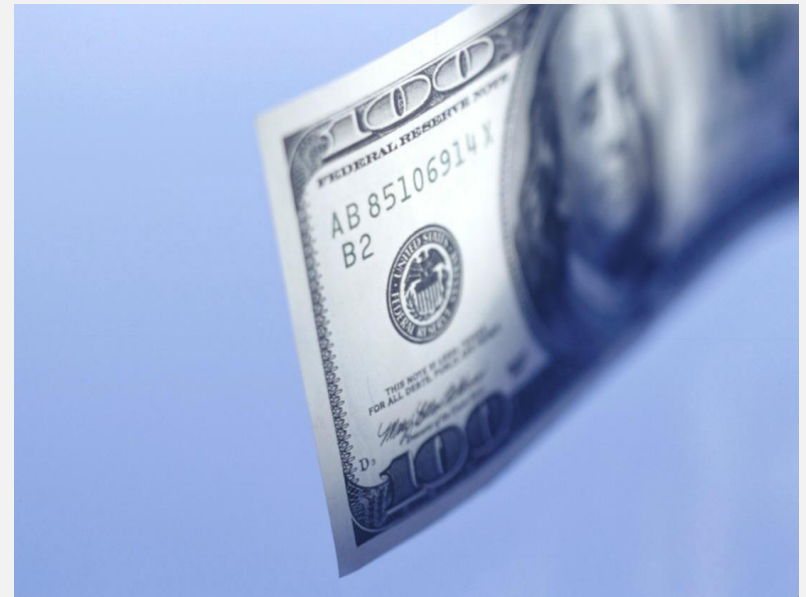
- P-Card
- T-Card
- Program Advances
- Credit card refunds
- Travel or miscellaneous expense reimbursements
- Honorarium
- High Risk Data
- Self approval of benefit time usage
- Self approval of payroll
- Overtime in lieu of a raise
- Cash Gifts
- Change funds
- Petty cash funds

Fraud Red Flags

- No one should be responsible for all aspects of a transaction.
- Unrestricted or unnecessary access to assets or sensitive data (e.g., cash, personnel records, etc.).
- Transaction approval(s) by management override.
- C-FOAPAL structure with no true accountability for segregating funds, transactions, or cost centers.

General Characteristics of Fraud Perpetrator

- Individual is trusted.
- Usually start small and then get greedy.
- Act is intentionally concealed.
- Employee doesn't take vacation.
- Never gives a definitive answer to direct questions.
- Never let others review their work.



Workshop Summary

- Internal Control only provides reasonable assurance that objectives have been achieved.
- Fraud is designed to be hidden and appear as normal business transactions.
- Ask for clarity when transactions, explanations, or other justifications do not appear normal.
- Special attention to the transactions where a person can enrich themselves.

Questions / Concerns?