Internal Controls and Fraud Prevention For Your Unit

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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

• 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?