Overview: Internal Audit, Internal Controls, and Fraud and Abuse

Presentation – Financial Services Workshop
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Office of Internal Audit and Management Advisory Services
Amanda Danielson, MSA, CIA – Internal Auditor
Agenda

- Internal Audit
- Internal Controls
- Fraud and Abuse
- Youth Programs and Camps
- Document Storage
Mission

Enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.
What MY MOM thinks I do

What MY FRIENDS think I do

What MY BOSS thinks I do

What OTHER DEPARTMENTS think I do

What I think I do

What I really do
Audit Services

- Operational Audits
- Compliance Audits
- Information Technology Audits
- Investigative Audits
- Consultations/Advisory Services
- Financial Audits
- Assistance to the Office of the State Auditor
- Audit Liaison
Core Principles

- Integrity
- Objectivity
- Confidentiality
- Competence
Triva

I can contact the Office of Internal Audit for assistance when:

A. My department is implementing a new information system.
B. My department is starting a new business process.
C. I have concerns about an employee using University resources for personal benefit.
D. All of the above.
Internal Controls

- Achieve goals
- Carry out management directives
- Reduce unpleasant surprises
- Enhance the reliability of information
- Promote effectiveness and efficiency of operations
- Safeguard assets
- Comply with rules and regulations
Trivia

Who has the responsibility to adhere to and strengthen internal controls at the University?

A. The Chancellor
B. Department Heads
C. Internal Auditor
D. All ECU Employees
Internal Controls

Adhering to and strengthening internal controls is the responsibility of every employee at ECU.
You are the First Line of Defense
Security of Assets

- Physically control access to your department’s valuable assets – computers, iPads, mobile devices, cameras, other equipment, and gift cards
- Maintain a departmental inventory, and periodically review to ensure all assets are on hand
Protection of Sensitive Data

- Do not store sensitive data on local computers or portable media such as external hard drives or thumb drives.
- ECU data cannot be stored external to the university network (in the “cloud”) without the proper authorization and approval of the department head, data owner, and CIO.
- AirWatch is required to be downloaded on ECU-owned smartphones and tablets, as well as, personal mobile devices that access or store ECU sensitive data.
Protection of Sensitive Data

- Control access to your department’s servers and central data storage locations
- Periodically review the users who have access to your data (at least twice annually)
- Encrypt and physically secure any media that contains University data
- Enable automatic, passphrase-protected screen savers on your computers, laptops, and other devices
Trivia

True or False: Next week I am going on vacation; however, someone needs to approve travel reimbursements for the department while I’m gone. It is ok for me to share my password with my coworker as long as I change it when I return.
Passwords are like underwear...

- You should change them often
- Don’t share them with friends
- The longer, the better
- Don’t leave them lying around
- Be mysterious
Segregation of Duties

- Assign duties to different individuals
- Never let a single individual control a transaction or process from start to finish
Segregation of Duties

- Separate incompatible duties
  - Authorizing a transaction, receiving, and maintaining custody of the asset that resulted from the transaction
  - Receiving checks (payments on account) and approving write-offs
  - Depositing cash and reconciling accounts
Cash Management

▪ Comply with the University Cash Management Plan
▪ Issue a pre-numbered receipt for all payments received
▪ Ensure that a person who is not involved in the collection process reconciles the collection records with the Banner deposit information
▪ Physically safeguard cash, checks, and credit card information
Transaction Review and Approval

- In a position to know whether or not the transactions are related to legitimate University business
- Have the authority to disapprove or question specific expenses
- Ensure a valid business purpose is documented

ASK QUESTIONS!!
A faculty member from another department asks me to order an iPad for a grant he/she is working. I am unfamiliar with the project and uncertain if an iPad is a valid expense. I should:

A. Purchase the iPad. I trust the faculty member.
B. Tell the faculty member I’m not familiar with the project and ask him/her to have the appropriate person in his/her department purchase the iPad.
C. Purchase the iPad and add a few extras to the order in case he/she needs it.
D. None of the above.
Transaction Review and Approval

- Monthly Review of the department’s transactions to ensure their validity and appropriateness.
- Purchases that exceed $5,000 should be authorized by Materials Management prior to ordering and receiving the items/services.
Reconciliations

▪ Expenditures properly approved and charged to the correct account
▪ All revenues earned and/or collected credited and deposited to the correct account
▪ Documented evidence that account balances are valid, appropriate, approved, and adequate
▪ Discover accounting errors, omissions, and misclassifications in a timely fashion
Reconciliations

- Be sure to properly segregate duties
- Departmental account reconciliations should be performed monthly
- The reconciliation should have documented review and approval by someone other than the preparer
Fraud and Abuse

Occupational Fraud:

*The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.*
Fraud and Abuse

FRAUD = the “theft” of assets
ABUSE = the “misuse” of assets
Fraud and Abuse

Incentive/Motive

Opportunity

Rationalization
Behavioral Red Flags

- Living beyond means
- Financial difficulties
- Wheeler-dealer attitude
- Control issues – unwillingness to share duties
- Divorce
- Unusually close with vendors
Behavioral Red Flags

- Irritable, defensive
- Addiction problems
- Refusal to take vacations
- Complains about pay, lack of authority
Commonly Seen at the University

- Misuse of University resources
- Misuse of time
- Theft of University assets
- Personal purchases with University funds
- Improper employee reimbursements
- Failure to report secondary employment
- Failure to disclose Conflict of Interest/External Professional Activities for Pay
Report Fraud and Abuse

If you have concerns or knowledge of FRAUD, WASTE, or ABUSE please contact us at:

252-328-9025

or

visit our website at: http://www.ecu.edu/Audit
Youth Programs and Camps

Youth programs and camps must be submitted to and approved by the Youth Programs and Camps Office.
Document Storage

- University records management must comply with the University of North Carolina Records Retention and Disposition Schedule.

- Health care facilities and patient records are subject to the Healthcare provisions in Section 7 of the Functional Schedule for North Carolina State Agencies.

- ECU is in the process of approving new Xtender Electronic Records and Imaging Regulation and Procedures.

- A moratorium will be placed on the transfer of records to the Records Center.
Trivia

My department is sponsoring an educational program for school-age children. Their parents/guardians will drop them off each morning and pick them up in the afternoon. What should I do?

A. Hope the kids get along and the staff show up.
B. Review the YPCO website to get information for registering the program and complying with the regulation.
C. The same process as usual. This program has been running smoothly for years.
D. Nothing. The program only lasts three days.
Questions/Comments

Amanda Danielson
Internal Auditor/Data Analytics
danielsona@ecu.edu
328-9026