Update Department Heads Reference Guide

Review of Higher Education Risks

Update of Internal Audits

INTERNAL AUDIT DEPARTMENT

January 19, 2010

Budget Officers Meeting
Office of the President

Missouri State University

15 are lower risk (17%)
53 are medium risk (62%)
18 are high risk (21%)

In terms of severity of risk:

27 were planned (31%)
8 were in process (9%), and
51 have been implemented already (60%)

Of these, 9 good response & implementation by management:

- These audits reflect 86 individual recommendations to management
- 14 audits completed in calendar 2008; Follow up Report Issued

Calendar YR 2008 - 09 Internal Audits
A REVIEW OF SOME OF THE 2008 AUDITS
- Juanita hammoms hall (in process)
- Food Vendors (in process)
- "m" .
- Design and construction
- Sponsored Contract - city clerks
- Facilities maintenance (inventory)
- Campus Cash controls
- Multicultural Services
- East plains / Springfield Bookstores (inventory)
- Scholarships
- P-Card Follow up
- Study Away Follow up

2009 to date - Some audits completed
Fraud:
Cash and other assets not controlled
Documented procedures not in place
Reconciliation / Exception Reports not in place

Lack of training / education

Lack of policy compliance and awareness

Review of approvals not adequate

Segregation of duties

Most frequent control issues observed
Estimated at $500K several past years.

Example: Latest local news item is the fraud that occurred in the City

Management

Accountant or Clerk - Fraud is becoming more of an issue of Middle

A concerning trend: Perpetrators are no longer are just the front line

Expense Reports. Second highest is credit cards.

The highest area of fraud occurrence nationwide is that of Employee

Billions, or 7% of Revenues. (Versus $684 in 2006)

In 2007, the cost of Fraud to public and private entities was $994

The Cost of Fraud
Lifestyle clues and change in behavior
Rationalization actions
Does not take vacations
Long term employee
Gambling problems not unusual
Likes to give gifts / compulsive shopper
Well liked by co-workers
No prior criminal history (less than 8% have a history)
Male or Female

PROFILE of a Fraud Perpetrator:

1. Perceived Pressure (financial, addiction, etc) leading the employee
2. Perceived Opportunity to commit fraud (controls are weak)
3. Rationalization by the employee / diminishes integrity ("I'll just...")

BORROW IT..."

Individuals, chances of fraud are high:

THE FRAUD TRIANGLE: If three of the elements exist for an

Why does Fraud Occur?
Don't hesitate to ask Internal Audit or Legal (Information Security Officer) HIPAA, FERPA, requirements, and ask Jim Taylor if any questions.
Understand the most recent regulations regarding data security and awareness. Provide tools to departments or one-on-one training (self-assessment university records and of their actions, and are aware of policies.) Be proactive. Make sure your department heads know the visibility of handout "White Paper" from EthiPoint. Know what the key risks are in higher education divisions (see occurs.) Conduct your own "smell test" (such as segregation of duties, cash place). Know our policies, be familiar with your departments processes in.

HOW CAN I HELP PREVENT ISSUES?