

Central Florida Chapter

Florida Government Finance Officers Association

INTERNAL CONTROLS

FRAUD

Any intentional act or omission designed to deceive or mislead others and resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

ACFE FRAUD PREVENTION CHECK-UP

1. Fraud risk oversight

To what extent has the organization established a process for oversight of fraud risks?

2. Fraud risk ownership

Has the organization designated a senior manager responsibility for managing all fraud risks within the organization and by explicitly communicating to business unit managers their responsibility for managing fraud risks within their area?

3. Fraud risk assessment

To what extent has the organization implemented an ongoing process for regular identification of the significant fraud risks to which it is exposed?

ACFE FRAUD PREVENTION CHECK-UP

4. Fraud risk tolerance and risk management policy

- To what extent has the organization identified its tolerance for different types of fraud risks?
- To what extent has the organization identified how it will manage its fraud risks?

5. Process-level anti-fraud controls /reengineering

To what extent has the organization implemented measures to eliminate or reduce through process reengineering the significant fraud risks identified in its risk assessment?

ACFE FRAUD PREVENTION CHECK-UP

6. Environment-level anti-fraud controls

To what extent has the organization implemented a process to promote ethical behavior, deter wrongdoing and facilitate two-way communication on difficult issues?

7. Proactive fraud detection

To what extent has the organization established a process to detect, investigate and resolve potentially significant fraud?

PREVENTIVE/DETECTIVE CONTROLS

- Segregation of duties
- Process controls
- Process analyses
- Management oversight/accountability

some
things to
ponder...

FUEL

- Recurring pattern of fuel purchases out-of-sync with work schedule
- Match fuel card use with dates of personal leave
- Review control over issues to mobile tanks and small containers
- Review fuel delivery in relation to tank capacity
- Review mileage and consumption of fuel
- Match payroll records to fleet issuance company car issuances

TRAVEL

- Control travel expense advances
- Watch for unassigned or unused credits
- Prohibit combining business and personal travel
- Comparison of pre-authorized and actual expenses
- Request receipts directly from supplier
- Compare receipt date(s) to travel period
- Periodic reviews, especially of higher expenses

FLEET MANAGEMENT

- controls of use and disposal of salvaged vehicle parts
- controls for disposal of scrapped material
- Authorization for supplemental repair costs
- Review automobile claim expenses payment process

EMPLOYEE BENEFITS

- Proof of dependent/spouse/partner eligibility
- Review authorization for changes
- Review premium collection
- Review for unreported deaths of retirees
- Review workers' compensation claims
- Review benefits records of benefits staff for unauthorized benefits

DISBURSEMENTS

- Review check requests
- Review for altered check amounts
- Examine voided check documentation
- Search for duplicate payments/invoices
- Watch for invoices in exact numerical sequence
- Review completed bank reconciliations

VENDOR MASTER FILE

- Validate new vendors
- Watch for:
 - Employee's home address matches a vendor's address
 - Employee's initials matching those of a vendor name
 - Key missing data on vendor master files
 - Unexplained/undocumented vendor address change
 - Change in payment specifications
 - Inactive vendor reactivation

PURCHASING CARD

- Review rejected transactions
- Surprise review of small tools purchases
- Review for recurring purchases available through agency warehouse
- Search for duplicate pay by credit card and directly to vendor
- Controls for card deactivation

INFORMATION SYSTEMS

- unscheduled program runs during low computer use hours
- excessive system crashes
- review and approval process for programming changes
- excessive edit overrides
- no logical access procedures to prevent unauthorized access

INFORMATION THEFT

- Consider a “shred-all” policy
- Shred before recycling
- Secure information on all data sources, including:
 - CPU hard drive
 - ipad
 - tablet
 - smart phone
 - Employee desk/trash
- Secure systems access

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PAYROLL

- Review for falsified time entry
- Review for unreported vacation or sick time
- Monitor anomalies in overtime and compensatory time
- Review part-time, temporary, seasonal, and terminated employees' activity for unauthorized transactions
- Review payroll records of timekeepers, payroll staff for unauthorized hours
- Review systems control for assurance an employee cannot approve own time
- Appropriate controls for employee-engineered changes to records

ELECTRONIC COMMERCE

- Update wire authorization/validation
- Review password/log-on violations
- Transaction limits established?
- Review ACH debit parameters

CONTRACT ADMINISTRATION

- Significant number of single source suppliers
- Unchanging database of suppliers
- Signs of personal relationships
- Price increases out of line with market

OTHER

- Monitor adjustments and overpayments of receivables or payables
- Review for collection of an unrecorded charge-off account or inactive account
- Review numeric sequence of payables or receivables invoices (search for duplicates and missing)
- Review fixed asset record deletions
- Review manual journal entries and approval process

TOOLS

- Continuous control monitoring software
- Computer assisted auditing techniques
 - data analytics software
 - data mining techniques
- Quantitative Techniques
- Hotline
- Anti-Fraud Resources
 - AuditNet (auditnet.org)
 - ACFE (acfe.com)
 - IIA (theiia.org)
 - FraudResourceNet (fraudresourcenet.com)
- Employee profiling
- Tone at the Top
- Intuition

BEHAVIORAL RED FLAGS

- Refusal to take vacation
- Living beyond financial means
- Evidence of addiction (alcohol, drugs, gambling)
- Spouse or significant other's recent job loss
- Dunned by creditors
- Performing tasks which are not a part of primary job duties
- Act secretively on the job and unwilling to let others review work
- Consistently refuses promotion or job change
- Sudden financial shortfalls (medical, education)
- Extramarital affair

Take
aim.



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