

The Audit Insight



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INTRODUCTION

Welcome to the first edition of the CWU Internal Audit's newsletter – The Audit Insight. The focus of the newsletter is to provide you with an introduction to Internal Audit and current higher education audit news. Each upcoming issue will contain articles on a variety of topics geared toward increasing awareness and understanding of operational and compliance issues facing our campus and higher education in general to assist in implementing and maintaining well controlled work environments. We also hope to increase awareness about the Internal Audit's role.

WHO WE ARE

One of the main purposes of the Internal Audit office is to assist the University in accomplishing its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of risk management activities, control activities, and governance processes. To that end, we provide independent reviews of a variety of business functions to measure the effectiveness and efficiency of existing internal controls and operational processes, making recommendations as needed to aid in strengthening the University's compliance with external obligations.

Internal Controls provide appropriate checks and balances to ensure the University's essential services are provided efficiently and effectively.

To learn more about who we are and what we do visit our website at cwu.edu/internal-audit.

Segregation of Duties

Duties within the department or function should be separated so that one person does not perform processing from the beginning to the end of a process. Duties that should be segregated include:

- Authorization
- Custody of the assets
- Recording transactions

If an adequate segregation of duties does not exist, the following could occur:

- Misappropriation of assets
- Misstated financial statements
- Inaccurate financial documentation (i.e., errors or irregularities)
- Improper use of funds or modification of data could go undetected

Best Practices:

Design a system of checks and balances to decrease the likelihood of errors and irregularities. The person who prepares documentation should not be the same person to authorize and execute the transaction (i.e. one person should not be able to accept cash, record deposits for banking, make the bank deposits, and reconcile the account).

Risk and Internal Controls

Risk is a concept that auditors use to express their concerns about the probable effects of an event or condition occurring that will have an impact on the ability of an organization to achieve its objectives.

Internal controls are tools managers use to manage risks. An Internal control system is made up of procedures, policies and measures designed to make sure an organization meets its objectives, and mitigate risks that can prevent an organization from meeting its objectives. While the Internal Audit function is performed by internal auditors, an internal control system is the responsibility of the organization's management. An internal audit is a check that is conducted at specific times, where as an internal control system is responsible for checks that are on-going to make sure operational efficiency and effectiveness are achieved through the control of risks.

Know what to look for to prevent cash receipting fraud

While cash transactions might be less frequent than those involving credit or debit cards, or have individual low dollar values, over time small daily losses can add up. According to the Association of Certified Fraud Examiners' (ACFE) 2016 Report to the Nations, the average median loss when cash was misappropriated ranged from \$25,000 to \$90,000. The key to preventing or reducing the risk of fraud is having strong controls in place. To prevent or detect fraud, here are some monitoring controls to consider:

- **Know** who performs what duties and if there is any potential for a person performing multiple duties that should be segregated to prevent the opportunity to commit or conceal misappropriation.
- **Review** void activity by employee or department to ensure the voids are supported and reasonable in number. High void activity could indicate a fraud.
- **Check** receipt sequences to ensure the receipt order is sequential and all numbers are accounted for.
- **Review** adjustment activity, error reports, unusual journal entries and over/short activity.
- **Verify** that inventory records agree to usage or sales and follow up on any discrepancies.
- **Review** bank reconciliations and compare bank deposits to cash receipt records to verify that the mode of payment agrees. Consider whether bank deposits have been made promptly or there are changes in the deposit pattern.
- **Look** for missing or incomplete documentation, alterations or correction fluid being used on records or reports.
- **Verify** reports are final and haven't been altered in any way.
- **Analyze** revenues, including looking for unanticipated revenues or unusual changes compared to prior years.
- **Review** accounts receivable activities to see if changes make sense and payments are posted to the correct accounts.

TRAINING WITH INTERNAL AUDIT

How to Respond to Audit Recommendations – *coming soon*

Learn more about the basic rules for writing a response and suggestions to response strategies to avoid when responding to audit recommendations.

IN THE NEWS

The U.S. Department of Education has begun a probe into the eight colleges implicated in a federal investigation of admissions fraud. The eight colleges are Stanford, Georgetown, the University of Southern California, the University of Texas, Wake Forest University, the University of California at Los Angeles and the University of San Diego—March 26, 2019

<https://www.bloomberg.com/news/articles/2019-03-26/education-department-opens-probe-into-college-admissions-scandal>

Ex-Washington University official sentenced for embezzling—March 8, 2019

<https://fox2now.com/2019/03/08/ex-washington-university-official-sentenced-for-embezzling/>

FREQUENTLY ASKED QUESTIONS

Q: What happens when I make an online report to the Internal Audit Hotline?

A: We review all hotline submissions, and assess each one before deciding how to proceed. Submissions can be made anonymously. However, if you opt to tell us your name and how to reach you, it can help us follow up on the complaint, and we can tell you our conclusions.

Q: Where can I find more information?

A: For more information please visit:
cwu.edu/internal-audit/hotline

Q: Who can report issues/concerns to the hotline?

A: Anyone can report fraud, conflict of interest, financial policy violations, etc., to the hotline site.

Q: How do I start a hotline report?

A: Report a concern using the hotline web form at cwu.edu/internal-audit/hotline



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