



# Audit Hot Spots

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INTERNAL AUDIT  
ONLINE:

[www.mcneese.edu/audit](http://www.mcneese.edu/audit)



## Message from the Internal Auditor

This edition of the Audit Hot Spots is about Fraud and Ethics. Audit Hot Spots defines Fraud, provides examples of Fraud, describes a framework of why Fraud occurs, and provides information on reporting fraud, waste and abuse. I hope that you find the newsletter informative and interesting. There will be more to come on Fraud and Internal Controls in the next newsletter.

## What is Fraud?

Fraud is any illegal act (violation of laws and governmental regulations) characterized by deceit, concealment, and violation of trust. These acts are not dependent upon the application of threat of violence or physical force. Frauds are perpetrated by individuals and organizations to obtain money, property or services, to avoid payment or loss of services, or to secure personal or business advantage. Fraud is an intentional act. Remember that fraudulent activity has no boundaries (income level, educational level, or position). Consequently, it can happen anywhere in the University.

Fraudulent acts include but are not limited to the following:

- Creating or altering documents or computer files with the intent to defraud
- Embezzlement (to steal or to take by fraud for one's own use)
- Misappropriation or misuse of University resources, such as funds, supplies or other assets
- Improper handling or reporting of cash transactions
- Forging signatures on documents
- Authorizing or receiving compensation for goods not received or services not performed
- Misuse of procurement cards (personal purchases on cards)
- Padding of travel expenses or taking trips for personal reasons and disguising them as a business expense
- Bid rigging
- Payroll abuse (falsely reporting working hours, failure to take proper leave, overtime abuse)

## Prevention and Detection of Fraud

Strong internal controls should be designed to prevent fraud, and/or detect fraud or misappropriation in a timely manner. The best controls cannot prevent all fraudulent activity, but a strong internal control system that includes a system of “checks and balances” and adequate processes and monitoring, can detect the activity timely.

### Some Key Internal Control Activities are:

**Segregation of Duties**—Duties should be segregated amongst various personnel to reduce the risk of error or inappropriate action.

**Authorization and Approval**—Transactions should be authorized and approved to help ensure the activity is consistent with departmental or institutional goals and objectives.

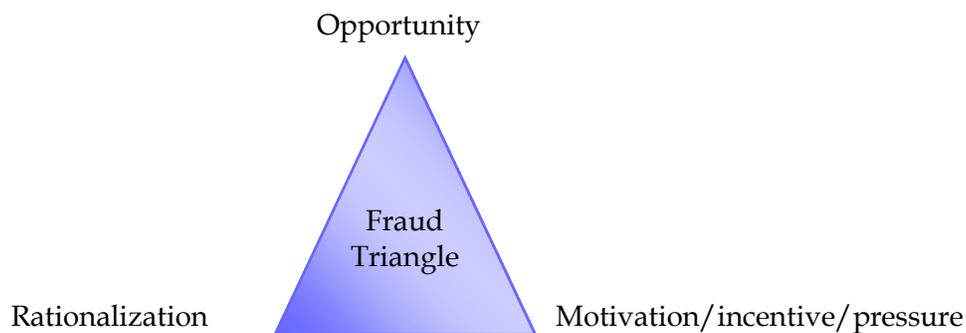
**Reconciliation and Review**—Performance reviews of specific functions or activities may focus on compliance, financial or operational issues. Reconciliations involve comparing transactions or activities recorded to other sources to help ensure that the information reported is accurate.

**Security**—Security may be physical, electronic, or both. Equipment, inventories, cash, checks and other assets should be secured physically and periodically counted and compared with amounts shown on control records. Hardware and access controls should be changed periodically and rigorously safeguarded to protect unauthorized accesses to databases, computer systems, etc.

## Why does fraud occur?

The “Fraud Triangle” is a hypothetical framework (idea) developed by famed criminologist Donald Cressey and used in understanding fraud. Three factors must be present for fraud to occur:

1. Motivation/Incentive/Pressure—debt, addiction, and status seeking.
2. Opportunity—weak or non-existent internal controls (no segregation of duties, property not safeguarded, etc.),lack of management oversight, failure to discipline offenders.
3. Rationalization—an attitude of entitlement to raises, rationalization that money will be repaid, income not received for perceived work effort, everyone is doing it..



## Reporting Fraud, Waste and Abuse

All University employees are responsible for reporting any suspicious, illegal or dishonest activity. The employee should notify his/her immediate supervisor, unless the supervisor is involved. The supervisor should immediately contact the President's Office (475-5556). If it is known that the act is illegal then notify University Police (475-5711).

For information on **anonymous reporting of suspicious or improper activity** visit [www.mcneese.edu/audit](http://www.mcneese.edu/audit). To ensure that all matters of fraudulent activity are properly communicated and investigated, a partnership has been established between Internal Audit, Human Resources and University Police. ***It is the responsibility of McNeese employees at all levels to prevent, detect, and deter fraud.*** Fraud prevention begins with awareness. Call Internal Audit at 475-5590 for a consultation.

## Questions about Ethics?

You may recall that in the February 2013 on-site ethics training that postcards were available to all who attended for submission of any ethics question(s) that you might have had at the time. Below you will find the questions, answers, and links to various ethics opinions. You may contact the Office of Internal Audit if you need further clarification.

### **Could a non-citizen or non-resident person file a complaint? (knowing non-citizens or non-residents are not eligible to vote)**

- Section 1141B(1)(a) of the Code of Governmental ethics state, "The Board of Ethics shall consider any signed sworn complaint from any elector, hereinafter referred to as complainant, concerning a violation of this Chapter which is within its jurisdiction..." Though the Code does not provide a definition of "elector", the Webster's dictionary defines it as a "qualified voter." The Secretary of State's website identifies five qualifications that must exist to register to vote in the state of Louisiana. They are as follows:

- Must be a U.S. Citizen;
- Be at least 17 years old, but must be 18 years old prior to next election to vote;
- Not be under an order of imprisonment for conviction of a felony;
- Not be under a judgment of full interdiction for mental incompetence or partial interdiction with suspension of voting rights; and,
- Reside in the state and parish in which you seek to register.

So, in short, a non-citizen or non-resident person is not eligible to file a complaint with the Board of Ethics, however as an alternative, persons may report any potential violations to the Agency's Head. Section 1161 (A) of the Code states, "Every agency head shall file confidential reports with the board or panel on any matters that come to his attention which he believes may constitute a violation of this Chapter which is within the board of panel's jurisdiction."

## Ethics Training Reminder

Pursuant to Act 315 of the 2007 Regular Session of the Louisiana Legislature, beginning January 1, 2012 all public employees are required to receive a minimum of one hour education and training on the Code of Governmental Ethics **each calendar year** of his/her employment. If you or any of your staff have not completed the training for 2013, please do so as soon as possible. Please note that this requirement applies to all full-time and part-time personnel as well as graduate assistants, visiting lecturers, and student workers.

Visit [www.mcneese.edu/audit/ethics](http://www.mcneese.edu/audit/ethics) for instructions on how to complete the training on-line.

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We're on the web:  
[www.mcneese.edu/audit](http://www.mcneese.edu/audit)

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## Did you know...

.....that the following policies are new or have been revised?

- Credit Hour Policy – *February 2013*
- Employee and Dependent Tuition and Fee Policy – *March 2013*
- Endowed Professorships – *January 2013*
- Grading System – *January 2013*
- Online Course Policy – *February 2013*
- Records Retention and Disposition Policy – *January 2013*
- Student Rights and Responsibilities – *February 2013*



All of the above policies can be found on the McNeese website at [www.mcneese.edu/policy](http://www.mcneese.edu/policy)