MONTHLY BUSINESS MANAGERS’ MEETING

“RECOGNIZING & REPORTING FRAUD”
“ACCOUNT RECONCILIATION”

Tuesday, June 7, 2011
9:30 am – 11:00 am
225 Peabody Hall

Presented by Accounting Services
No meetings in July & August due to yearend

Topics for Future Business Managers’ Meetings
- Long Distance Charges & Cell Phone Certification
- Leave Certification Requirements
- Payroll Records
- Alternate Work Schedules

Launch of Business Manager Toolkit
- June 8th from 12:30 – 4:00 pm in 225 Peabody Hall
- Register through HRM Training Programs in PAWS
Recognizing and Reporting Fraud

Larry Butcher
Bursar/Director
Bursar Operations
Fraud

Act or course of deception, an intentional concealment, omission, or perversion of truth by individual(s) inside or outside the organization for their personal benefit or to benefit the organization.
University fires 3 after finding $275,000

Three University of South Florida officials were fired after the school discovered $275,000 in misplaced checks and cash scattered throughout an office. Nearly half the money at the school’s English Language Institute — $133,647 — was in the form of checks up to 10 years old and could not be deposited, university spokeswoman Michelle Carlyon said.

The money was found Dec. 21 inside desks and underneath books and office machines, among other places, Carlyon said. The discovery came about a month after a state audit of the university found lax financial controls. On Friday, the financial council reviewing the state audit recommended reducing the number of departments that collect money and training workers to keep better financial records.

By John Bacon with staff and wire reports

Get national news updated 24 hours a day, 7 days a week at nationline.usatoday.com
Types of Fraud

- Misappropriation of funds
- Time and effort
- Misuse of resources
- Influence
Common Myths

Audits will detect all fraud

All employees are trustworthy
Initial Fraud Detection

2010 ACFE Report to the Nations on Occupational Fraud and Abuse
Employees who commit fraud generally are able to do so because there is opportunity, pressure, and a rationalization.
## Climate for Fraud

<table>
<thead>
<tr>
<th>Individual</th>
<th>Organizational</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal habits</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Life events</td>
<td>Understaffing</td>
</tr>
<tr>
<td>Attitude of entitlement</td>
<td>Lack of pay increases</td>
</tr>
<tr>
<td>Morale</td>
<td>Belief that all staff are honest</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Uncertainty</td>
</tr>
<tr>
<td>Competition</td>
<td></td>
</tr>
<tr>
<td>Opportunity</td>
<td></td>
</tr>
</tbody>
</table>
Individual Profile

- Likely to be married
- Member of a church
- Educated beyond high school
- No arrest record
- Age range from teens to over 60
- Socially conforming
- Employment tenure from 1 to 20 years
- Acts alone 70% of the time

Source: Jack Robertson, Fraud Examination for Managers and Auditors (1997)
Organizational Profile

- Delegation of too much authority and/or responsibility to one individual
- Lack of financial activity reconciliation
- Inappropriate signature authority

The trusted employee has the highest risk

They are given the responsibility, authority, and independence that creates the opportunity for fraud
Controlling Fraud

**Internal controls** – accounting and administrative practices established and maintained by management to provide reasonable assurance that organizational objectives are being met.

- Reconciliation
- Segregation of duties
- Appropriate system access
- Awareness of the areas where fraud can occur

*Create an environment where employees believe that dishonest acts will be detected and not tolerated*
What do I do if I suspect fraud?

! Work within your management chain of command

! **DO NOT** confront the suspected perpetrator or investigate the case yourself

**Louisiana Whistleblower Protection for Public Employees**
Freedom from Reprisal for Disclosure of Improper Acts - R.S. 42:1169
What’s to come?

- LSU Fraud Policy
- Anonymous Tip Hotline
Questions
Reconciliation Requirements/Recommendations

Elahe N. Russell

Director

Financial Accounting & Reporting
Ledgers

- Mechanism to provide departments information regarding financial operations
- “Reconciling” is the process of ensuring the information on the ledgers is accurate and reliable
Reconciliation

- Perform on a **monthly** basis
- Reconciliations with supporting documentation should be maintained according to an established record retention policy
- Transactions must be:
  - Appropriate
  - Accurately recorded
  - Valid
  - Supportable
  - Reasonable
  - Recorded timely
  - Funded
Reconciliation

Supporting Documentation

Summary Ledger

Detail Ledger
Supporting Documentation

- A file should be maintained of all supporting documentation.
- As supporting documentation is reconciled to the ledger, it should be “checked off” and filed as “cleared.”
- Items that remain in the supporting documentation file for more than one month that have not been recorded on the ledger must be investigated.
- Transactions recorded on the ledger for which there is no supporting documentation must be investigated.
Reporting Tools

- University Subsidiary Summary Ledger
- University Subsidiary Detail Ledger
- University Overdrawn Accounts
- Outstanding Order Summary
- Payroll Distribution Report
- Accounts Receivable Transaction Activity Report
Reconciliation Checklist

- Review changes in budget
- Verify revenues
- Monitor encumbrance balances
- Ensure account is not in an overdraft status
- Review tentative transactions
- Match supporting documentation to detail transactions on ledger
- Reconcile supporting documentation to identify items that have not yet hit the ledger
- Investigate/correct errors
- Look beyond the transaction
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Price</th>
<th>Qty</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PENS, BLUE</td>
<td>$0.54</td>
<td>200</td>
<td>$108.00</td>
</tr>
<tr>
<td>2</td>
<td>ERASERS</td>
<td>$0.12</td>
<td>300</td>
<td>$36.00</td>
</tr>
<tr>
<td>3</td>
<td>BATTERIES</td>
<td>$0.43</td>
<td>200</td>
<td>$86.00</td>
</tr>
</tbody>
</table>

**Total Invoice:** $94.54
<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>CAT</th>
<th>OBJ</th>
<th>OBJ CODE</th>
<th>OBJ DESCRIPTION</th>
<th>TRANSACTION DESCRIPTION</th>
<th>EFFECTIVE DATE</th>
<th>ENTRY NBR</th>
<th>LINE NBR</th>
<th>T ACCOUNT NBR</th>
<th>VOUCHER NBR</th>
<th>SOURCE DOCUMENT</th>
<th>PROJECT</th>
<th>BUDGET</th>
<th>REVENUE</th>
<th>ENCUMBERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>184305000</td>
<td>EXP</td>
<td>4000</td>
<td>4100</td>
<td>OFFICE SUPPLIES</td>
<td>CP 030111 OFFICE DEPOT #1127</td>
<td>20110304</td>
<td>00100625</td>
<td>0000001</td>
<td>C</td>
<td>MC-50</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>496.99</td>
<td>0.00</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 030111 STAPLES CONTRACT COMMERCIAL</td>
<td>20110311</td>
<td>00110033</td>
<td>00001</td>
<td>C</td>
<td>MC-52</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>257.51</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 030411 STAPLES CONTRACT COMMERCIAL</td>
<td>20110311</td>
<td>00110033</td>
<td>00002</td>
<td>C</td>
<td>MC-52</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>49.11</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 030411 STAPLES CONTRACT COMMERCIAL</td>
<td>20110311</td>
<td>00110033</td>
<td>00003</td>
<td>C</td>
<td>MC-52</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>21.90</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 031311 OFFICE AUTOMATION</td>
<td>20110310</td>
<td>00094781</td>
<td>00001</td>
<td>C</td>
<td>MC-43</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>457.70</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 020111 WALMART.COM</td>
<td>20110316</td>
<td>00094781</td>
<td>00002</td>
<td>C</td>
<td>MC-43</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>1,126.85</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 020211 STAPLES CONTRACT COMMERCIAL</td>
<td>20110316</td>
<td>00094781</td>
<td>00003</td>
<td>C</td>
<td>MC-43</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>483.14</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 021111 OFFICE DEPOT #1127</td>
<td>20110316</td>
<td>00101051</td>
<td>00001</td>
<td>C</td>
<td>MC-46</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>1,359.98</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 031911 STAPLES CONTRACT COMMERCIAL</td>
<td>20110318</td>
<td>00113613</td>
<td>00001</td>
<td>C</td>
<td>MC-53</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>-20.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 031911 STAPLES CONTRACT COMMERCIAL</td>
<td>20110318</td>
<td>00113613</td>
<td>00002</td>
<td>C</td>
<td>MC-53</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>-15.63</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 031611 STAPLES CONTRACT COMMERCIAL</td>
<td>20110318</td>
<td>00113613</td>
<td>00003</td>
<td>C</td>
<td>MC-53</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>86.59</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 031811 STAPLES CONTRACT COMMERCIAL</td>
<td>20110325</td>
<td>00117112</td>
<td>00001</td>
<td>C</td>
<td>MC-55</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>349.37</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 032211 STAPLES CONTRACT COMMERCIAL</td>
<td>20110325</td>
<td>00117112</td>
<td>00003</td>
<td>C</td>
<td>MC-55</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>94.54</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 032211 STAPLES CONTRACT COMMERCIAL</td>
<td>20110325</td>
<td>00117112</td>
<td>00004</td>
<td>C</td>
<td>MC-55</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>62.16</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>4100</td>
<td>CP 032311 STAPLES CONTRACT COMMERCIAL</td>
<td>20110325</td>
<td>00117112</td>
<td>00005</td>
<td>C</td>
<td>MC-55</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>7.86</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>184305000</td>
<td>EXP</td>
<td>4000</td>
<td>4100</td>
<td>OFFICE SUPPLIES</td>
<td>CP 030111 OFFICE DEPOT #1127</td>
<td>20110304</td>
<td>00100625</td>
<td>0000000</td>
<td>C</td>
<td>MC-50</td>
<td>CP-9510</td>
<td>0</td>
<td>0.00</td>
<td>4,920.12</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Reconciliation to ledger
Hours worked on student timesheet should be reconciled to ETA

Hours on ETA must match timesheet. Hourly rate x total hours should equal ledger and Payroll Distribution Report.
### Payroll Example

#### Detail Ledger

**LOUISIANA STATE UNIVERSITY**
**SUBSIDIARY DETAIL LEDGER**
**FOR PERIOD 02/01/2011 TO 02/28/2011**

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>CAT</th>
<th>OBJ</th>
<th>OBJ CODE</th>
<th>OBJ DESCRIPTION</th>
<th>OBJ CODE</th>
<th>TRANSACTION DESCRIPTION</th>
<th>EFFECTIVE DATE</th>
<th>LINE NBR</th>
<th>ENT STAT</th>
<th>VOUCHER</th>
<th>SOURCE DOCUMENT</th>
<th>PROJECT</th>
<th>BUDGET</th>
<th>REVENUE EXPENDITURE</th>
<th>ENCUMBERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>184350500</td>
<td>EXP</td>
<td>1240</td>
<td>1240</td>
<td>STUDENT COMP - REGULAR</td>
<td>08503</td>
<td>TRANSFER VOUCHER</td>
<td>20110217</td>
<td>000100092-0001</td>
<td>C</td>
<td>PR-197</td>
<td>PR-08503</td>
<td></td>
<td>0.00</td>
<td>193.15</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1240</td>
<td>STUDENT COMP - REGULAR</td>
<td>08527</td>
<td>STUDENTS PAY</td>
<td>20110222</td>
<td>001002495-0005</td>
<td>C</td>
<td>PR-202</td>
<td>PR-08527</td>
<td></td>
<td>0.00</td>
<td>195.75</td>
<td>0.00</td>
</tr>
<tr>
<td>184350500</td>
<td>EXP</td>
<td>1240</td>
<td>1240</td>
<td>STUDENT COMP - REGULAR</td>
<td>08503</td>
<td>TRANSFER VOUCHER</td>
<td>20110217</td>
<td>000100092-0001</td>
<td>C</td>
<td>PR-197</td>
<td>PR-08503</td>
<td></td>
<td>0.00</td>
<td>388.90</td>
<td>0.00</td>
</tr>
<tr>
<td>184350500</td>
<td>EXP</td>
<td></td>
<td>1240</td>
<td>STUDENT COMP - REGULAR</td>
<td>08527</td>
<td>STUDENTS PAY</td>
<td>20110222</td>
<td>001002495-0005</td>
<td>C</td>
<td>PR-202</td>
<td>PR-08527</td>
<td></td>
<td>0.00</td>
<td>388.90</td>
<td>0.00</td>
</tr>
</tbody>
</table>

#### Payroll Distribution Report

**LOUISIANA STATE UNIVERSITY**
**PAYROLL DISTRIBUTION**
**FOR 2011**

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>OBJECT</th>
<th>NAME</th>
<th>LSUID</th>
<th>VOUCHER</th>
<th>GROSS AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>184350500</td>
<td>1240</td>
<td></td>
<td>201108527</td>
<td></td>
<td>195.75</td>
</tr>
<tr>
<td>184350500</td>
<td>1240</td>
<td></td>
<td></td>
<td>201108527</td>
<td>195.75</td>
</tr>
<tr>
<td>184350500</td>
<td>1240</td>
<td></td>
<td></td>
<td></td>
<td>195.75</td>
</tr>
<tr>
<td>184350500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>195.75</td>
</tr>
</tbody>
</table>
Scholarship/Exemption Example

The Transaction Activity Report must be reconciled to the ledger and the department’s list of students who should receive the awards.
# Record Retention

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Minimum Retention Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted, Auxiliary, Restricted (non-sponsored agreements)</td>
<td>1 complete fiscal year prior to current year</td>
</tr>
<tr>
<td>Sponsored Agreement</td>
<td>3 years after the final financial report is accepted by the sponsor</td>
</tr>
<tr>
<td>Plant Accounts</td>
<td>1 year after the project is complete</td>
</tr>
<tr>
<td>University Endowment, Foundation</td>
<td>Deposits and supporting documentation relative to donor restrictions should be maintained for as long as account exists. 1 complete fiscal year prior to current year for disbursement records.</td>
</tr>
</tbody>
</table>
Segregation of Duties

A control policy to divide responsibilities within an organization in order to reduce the potential of fraud or theft by ensuring that an employee is not responsible for more than one related function.
ABC’s of Segregation of Duties

No individual should be assigned job functions in more than one of the following three categories:

Asset Handling and Disposition

- Physical access to University assets or being in a position to control where an asset is directed
- Purchasing coordinators, timekeepers, equipment managers
- Assets include cash, tickets, LaCarte cards, supplies, equipment, purchase orders, etc.
ABC’s of Segregation of Duties

Booking or Recording Transactions

- Recording or processing a financial transaction in GLS
- Approving PO invoices, direct charge invoices, journal vouchers, procurement card entries, deposit entries

Comparison or Review of Transactions

- Reviewing transactions for validity and reasonableness and comparing them to departmental supporting documentation
- The “reconciler” of the account

Important Reminder
Departments should not only look at duties, but should also evaluate an employee’s Security Access to perform duties
Where do I begin?

- GLS Manual
- Locate and review or create departmental policies and procedures
- Update for system changes and segregation of duties
- Send to Accounting Services for review
Questions

Office of Accounting Services
Financial Accounting & Reporting

Elahe N. Russell
erussell@lsu.edu
578-1639