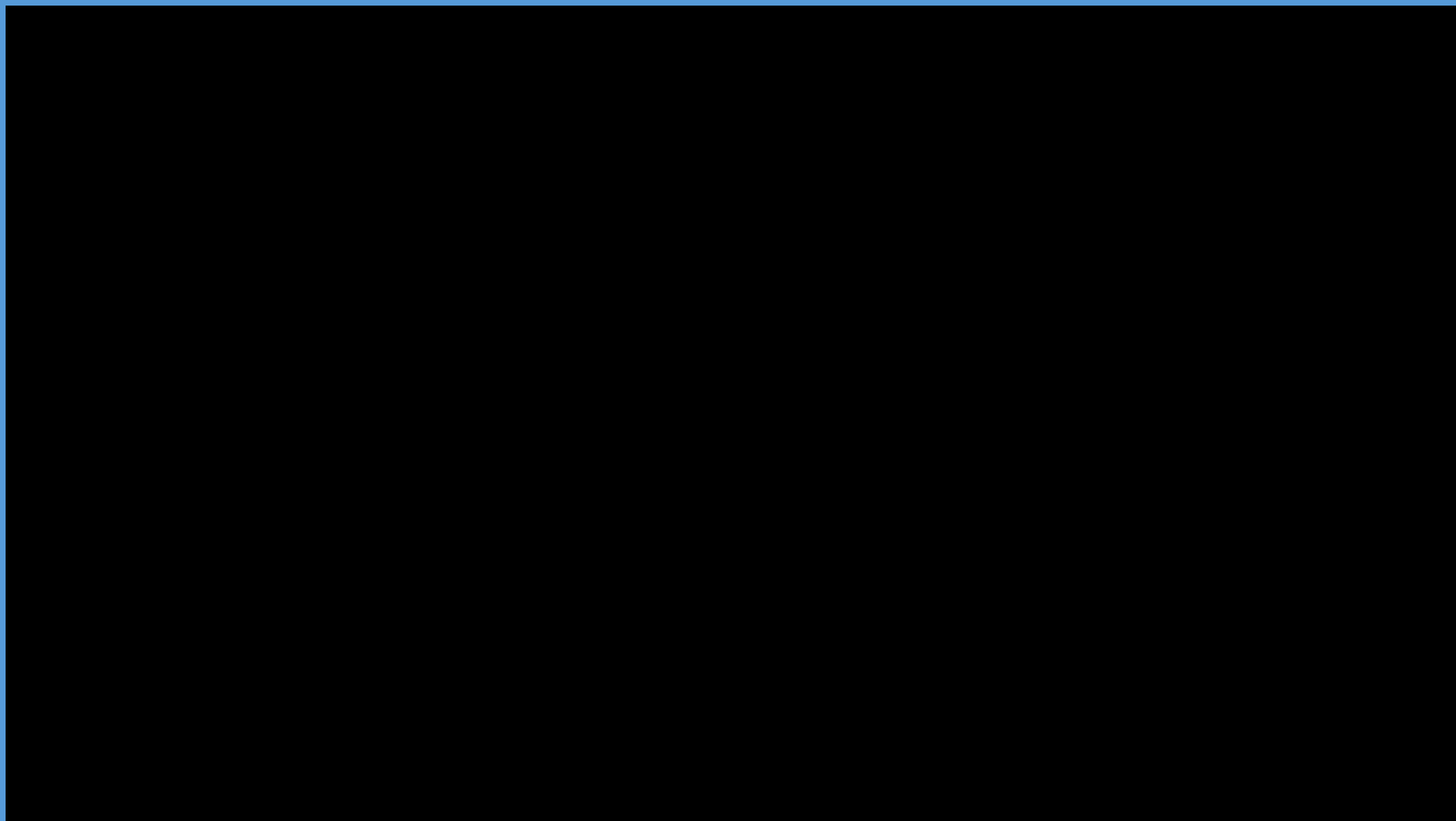


DO SOME SLEUTHING AND
MAKE SURE YOUR DISTRICT IS
HITTING ON ALL EIGHT

INTERNAL AUDITING
RISK ASSESSMENT & INTERNAL CONTROLS

Internal Auditing





What is Internal Auditing?

- Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations.

What Happens During an Internal Audit?

- The auditor inspects, analyzes and verifies records and obtains information by interviews, questionnaires and physical inspections.

What Happens During an Internal Audit?

- An internal audit review is a risk based examination of an organization, program, function or activity.

Risks

- Strategic Risk ↔ Goals & Objectives
- Financial Risk ↔ Loss of Assets
- Operational Risk ↔ Mgt. Process
- Compliance Risk ↔ Laws and Policies

**I DON'T CARE WHO YOU ARE, OR HOW
BAD OUR VENDOR RISK ASSESSMENT IS**



**I WILL FIND YOU,
AND I WILL AUDIT YOU.**

Risk Assessment

- Questions to Ask
 - What can go wrong?
 - What areas have the most risk?
 - What assets are at risk?
 - Who is in a position of risk?
- Are internal controls in place to mitigate risks?

What are Internal Controls?

- Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following areas:
 - Effectiveness & efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws, regulations and policies

Internal Control Examples

- Keep Assets Secured
- Utilize and safeguard passwords and PINs
- Review supporting documentation before paying
- Require preapproval before processing transactions or activities

What do Internal Controls Do?

- Protect assets
- Ensure records are accurate
- Promote operational efficiency
- Adherence to policies, laws & regulations

Internal Controls are Preventive & Detective

- Preventive - Stop an unwanted outcome before it happens.
- Detective – Find the problem before it grows.

Examples of Preventive Controls

- Employee screening and training
- Segregation of duties
- Preapproval of actions and transactions
- Use of computer passwords

Detective Controls

- Cash counts and bank reconciliations
- Review payroll reports
- Monitor actual expenditures to budget
- Internal Audit

Internal Audit is a Detective Control

- By reviewing documents, records, operations and interviewing people internal audit checks to see that other controls in place are working as intended.
- Based on findings, recommendations will be made to assist management, improve operations and decrease risk.

Who is Responsible for Internal Controls?

- Board
- Superintendent
- Asst. Superintendents / Directors
- Supervisors / Managers
- Everyone

Internal Controls

- Consider the following:
 - Propriety of transactions
 - Reliability and integrity of information
 - Compliance with Board policies and procedures
 - Safeguard Assets
 - Economy and efficiency

Internal Controls

- Other Considerations
 - Cost / Benefit
 - Do not pick and choose which controls to comply with.
 - Controls exist to protect you and the system.

Why Don't Internal Controls Always Work?

- Lack of knowledge of system policies or applicable regulations / laws.
- Inadequate segregation of duties
- Inappropriate access to assets
- Form over substance
- Control Override
- Inherent Limitations



Fraud

Wrongful or
criminal
deception
intended to
result in
financial or
personal gain



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Frauds

Forgery	Conflict of Interest	Kickbacks
Gratuities	Impersonation	Misappropriation
Bribery	Extortion	Conspiracy
Alterations	Deception	False Statements
Breach of Duty	False Claims	Cramming
Nepotism	Embezzlement	Money Laundering
Tax Evasion	Counterfeiting	Misrepresentation
Graft	Corruption	Theft

How is Fraud Committed

- Asset Misappropriation 86%
- Corruption 43%
- Financial Statement Fraud 10%

How is Fraud Detected

■ Tip	43%
■ Internal Audit	15%
■ Management Review	12%
■ By Accident	5%
■ Account Reconciliation	4%
■ External Audit	4%
■ Surveillance	3%
■ IT Controls	2%
■ Law Enforcement	2%

Fraud in the Education Sector

■ Billing	30%
■ Corruption	30%
■ Expense Reimbursement	22%
■ Skimming	22%
■ Check & Payment Tampering	18%
■ Non Cash	17%
■ Cash on Hand	13%

Characteristics of Trustworthy People

- No arrest record
- Social conforming
- Educated beyond high school
- Likely to be married
- Not likely divorced
- Member of a church

Characteristics of Fraudster

- No arrest record
- Social conforming
- Educated beyond high school
- Likely to be married
- Not likely divorced
- Member of a church

Profile of a Fraudster

- Male
- Between the age of 36-45
- College degree
- Tenure with company 1-5 years
- Operations/Accounting

Fraud Triangle

THE FRAUD TRIANGLE

Pressure
Motivation or Incentive
to Commit Fraud

Rationalization
Justification of
Dishonest Actions



Opportunity
The Knowledge and Ability
to Carry Out Fraud

The Fraud Triangle by Donald R. Cressey

Fraud in Schools

Athens educator found guilty in education fraud scheme

By Stephen Gallien **Mar 18, 2022** Updated **16 hrs ago**  2



Fraud in Schools

Former Goodwyn Middle School Bookkeeper Convicted of All Financial Fraud Charges

Posted: Jun 9, 2021 5:47 PM CDT

by [Alabama News Network Staff](#)

United States Attorney Sean P. Costello of the Southern District of Alabama announces that a federal jury in Montgomery, found defendant Tiffany Culliver Franklin, 41, of Montgomery, guilty on all charges in a financial fraud case. Chief United States District Judge L. Scott Coogler presided over the trial, which started on June 7, 2021 and ended the following day. Franklin is scheduled to be sentenced in the fall of 2021.



On April 7, a federal grand jury for the Middle District of Alabama charged Franklin with violations of 18 U.S.C. §§ 656 (theft or embezzlement by a bank employee) and 1344(1) (bank fraud), which carry a maximum potential sentence of 30 years, and 18 U.S.C. § 1343 (wire fraud), which carries a maximum potential sentence of 20 years.

MOST VIEWED

Suspect Arrested in Shooting Death of 3 Year Old

Local Man Turns Life Around after Serving 37 Years in Prison

Millbrook Police Search for Man Suspected of Stealing Thousands Worth Of Groceries from Walmart

Possible Tornado Destroys Mobile Homes in Escambia County

Wetumpka Teenager Killed in Pickup Truck Crash

FEATURES

[The Morning Pledge](#)

[Golden Apple](#)

[Positively Alabama](#)

Fraud in Schools

CRIME

Former Montgomery assistant principal sentenced for scamming school out of \$300K

by: [Aubree Bailey](#)

Posted: Aug 11, 2021 / 03:30 PM CDT

Updated: Aug 12, 2021 / 05:51 AM CDT



SHARE    ...

(AP Photo/Kim Chandler)

MONTGOMERY, Ala. (WIAT) — A former assistant principal with Montgomery Public Schools has been sentenced to 60 months in prison after he pleaded guilty to wire fraud.

[| Georgia school system shuts down within a week of opening due to COVID-19 >](#)

On Tuesday, 50-year-old Walter James, III pleaded guilty to a scheme that created a loss of \$314,867.55 to MPS. According to court documents, James owned a consulting company called “ED-ONE Professional Development Services” that would submit fraudulent invoices to the MPS central office for services that were not actually rendered. James would then collect payment through the consulting firm for items such as “three-day workshop” or “books and materials”.

TRENDING STORIES

- 1 **Infant hospitalized, grandfather accused in attack**
- 2 **UPDATE: Man killed at Richard's Sausage identified**
- 3 **Family gets stuck in Florida during spring break**
- 4 **Louisiana Walmart theft leads to car chase with police ...**
- 5 **Newborn baby found dead on side of the road**

Fraud in Schools

Huntsville Real-Time News

Pinnacle 'destroyed' trust, says Huntsville superintendent; school board cuts all ties

Updated: Jan. 13, 2019, 1:51 p.m. | Published: Oct. 21, 2016, 2:29 p.m.



Advertisement

By [Anna Claire Vollers](#) | avollers@al.com

wardynski lee drake.jpg

From left, former superintendent Casey Wardynski, Pinnacle Schools CEO Karen Lee, and interim superintendent Tom Drake. (File)

The Huntsville city school board terminated its contract with the Pinnacle Schools at Thursday night's board meeting. Pinnacle is the alternative school program involved in the controversy surrounding the abrupt resignation of Huntsville superintendent Casey Wardynski.

Fraud in Schools

CONNECTICUT

Ex-Yale Employee Admits to Stealing \$40 Million in Electronics for Her Own Luxurious Lifestyle

Jamie Petrone, 42, could face up to 23 years in prison among other property seizure

By Chatwan Mongkol • Published March 30, 2022



FILE – This Sept. 9, 2016 photo shows Harkness Tower on the campus of Yale University in New Haven, Connecticut.

Trending Stories



HARTFORD

Man Taken to Hospital in Hartford After Shooting



UConn Huskies

South Carolina and UConn Meet for Women's Hoops Championship



AMELIA EARHART

Woman Who Flew With Amelia Earhart Reminisces at New England Air Museum



HARTFORD

Vehicle That Hit Trinity College Students in Hartford Found in New Haven: Police



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HARTFORD, CT

A former employee at Yale University School of Medicine stole \$40 million worth of electronics and

Myths vs Reality

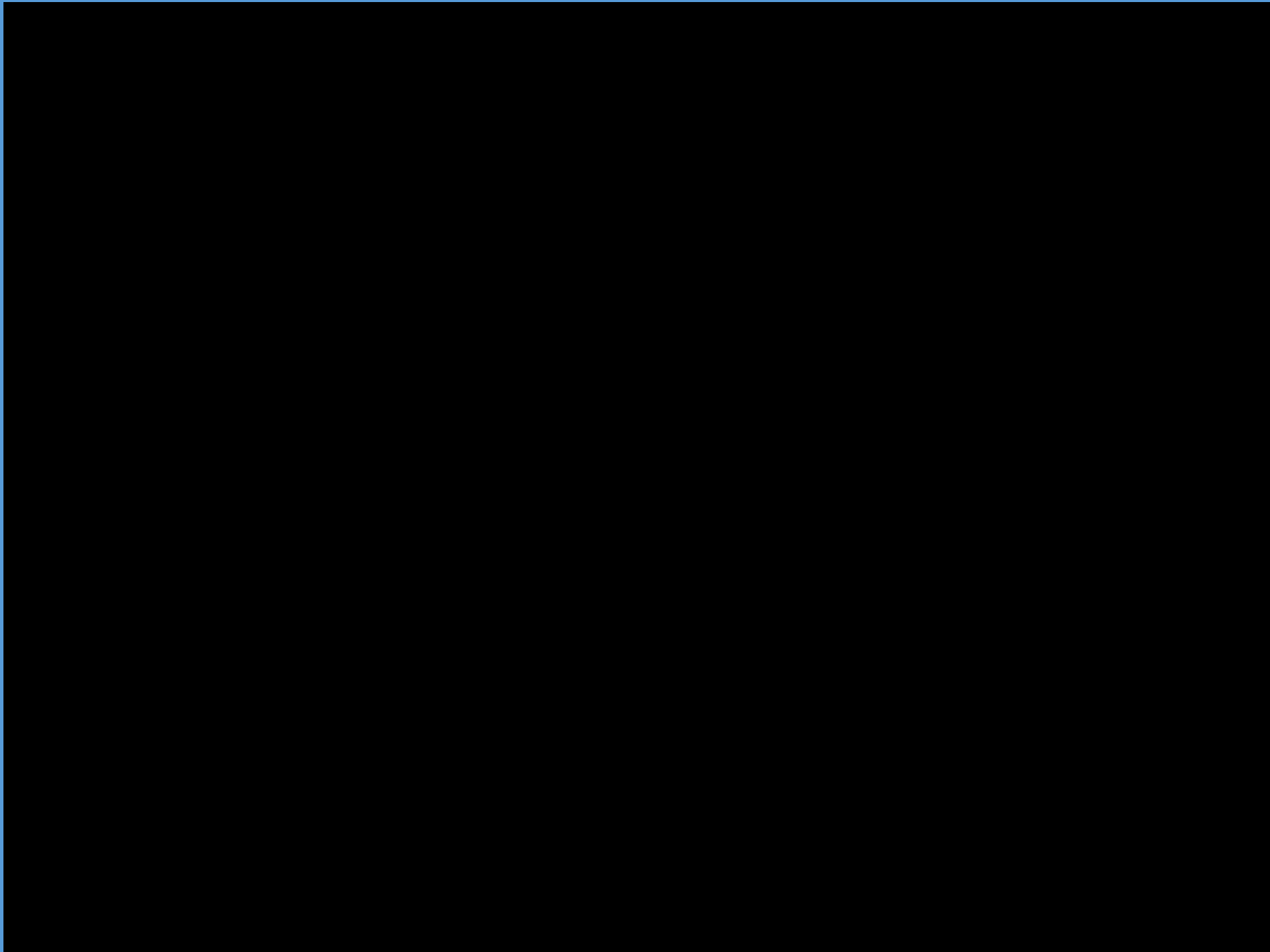
- Myth - Most people will not commit fraud
- Reality – Under the right circumstances, anyone will commit fraud
- Myth – Fraud is usually not material
- Reality – Frauds typically exceed \$100,000

Myths vs Reality

- Myth – Auditors find fraud
- Reality – Most fraud is discovered by accident
- Myth – Trusted employees do not commit fraud
- Reality – Trusted employees know the system

Myths vs Reality

- Myth – Fraud is well concealed
- Reality – They are usually relatively obvious and simple
- Myth – Prosecuting fraud deters others
- Reality – They believe they are smarter and will not be caught



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