



# AUDIT Newscast

University Internal Audit

August 2008

Audit and Management Advisory Services

## In This Issue

- Welcome!
- President's Message
- Who We Are and What We Do...
- Audit Query
- Responsibility: We're in this Together!
- Suspect Financial Fraud?

## Visit us Online!

Our web site has a lot more detailed information, articles and resources. Visit us at:

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

## Contact Us:

General Inquires

InternalAudit@umassp.edu

rharrison@umassp.edu

508-856-8812

508-856-8824 Fax

## Welcome!

Welcome to the first edition of **Audit Newscast!** You might be wondering why the auditors are publishing a newsletter. As business processes decentralize, departments must ensure that business risks are properly managed. This newsletter will contain information regarding good business practices and internal controls, as well as management responsibilities. In each issue, we hope to provide: "How To" training techniques, answers to your specific questions from our "Audit Query" Q&A section, and share events highlighting control issues and successes throughout the University.

Our hope is that by providing this information we can increase awareness of responsibility and assist you in implementing effective controls in your areas of operations.

*Thank You - Robert M. Harrison, Director*

## President's Message

There is nothing more important to the University than honesty and good management practices. We have an elaborate system of internal controls and administrative processes to help us comply with both the letter and spirit of the law as well as reflect best business practices. The professional staff in our internal audit department helps University Management in providing expert advice on control issues. I appreciate your help in holding up the highest standards of conduct at the University and your enthusiastic cooperation with the audit team.

*Jack Wilson*

## Who We Are and What We Do...

While many of you are familiar with our office and some may even have been visited by one or more Internal Audit staff, here are some facts about...

### Who we are:

#### **How many audit staff members do you have?**

Our staff consists of a director, an audit manager, and five audit professionals trained in the areas of financial/operational/compliance auditing, fraud investigation, and information technology auditing.

#### **Do you work for the University of Massachusetts?**

There are internal and external auditor classifications. Our office works for the University; therefore, we are internal auditors. We are located in the President's Collaborative Services Center in Shrewsbury. Examples of external auditors would be auditors from public accounting firms or state and federal governmental agencies.

### ***To Whom do you report?***

We report to University President Jack M. Wilson and the Audit Committee of the UMass Board of Trustees.

### ***What we do:***

#### ***What do you audit?***

The word audit typically conjures negative reactions. We want to change those perceptions at UMass. One of our most important goals is to provide guidance and assistance. We perform several types of traditional audits. These include:

- **Operational** – we perform objective and independent analysis of business activities and controls.
- **Compliance** – we provide assurance related to the design and operation of control activities and procedures in place to assure compliance with laws, regulations, and policies.
- **Financial** – to determine the extent in which financial transactions meet the University's business policies and procedures.
- **Information Technology** – audit IT operations and systems for compliance with UMass and external policies and standards, data integrity, physical security, access controls to systems, and business continuity planning.
- **Investigative** – review incidents of alleged fraud or misappropriations.

#### ***May Internal Audit services be requested?***

Senior management may contact the Audit Director to request our services. The request will be reviewed to determine how we can best serve your needs and coordinate a review within our schedule. We also rely on an extensive Campus Audit Liaison network to help us manage all audit activity of the University. The Controller at each Campus is the first point of audit contact for all internal and external activity.

---

## ***Audit Query***



We would like to include a Q&A section in future issues. We invite you to ask any questions you may have regarding the University - from budgeting to reconciling accounts to computing issues. If you have a question, most likely someone else is wondering the same thing. The Internal Audit staff will do our best to give you good advice. Send your questions to:

[InternalAudit@umassp.edu](mailto:InternalAudit@umassp.edu)

In order to encourage your participation, we will be awarding a sweatshirt emblazoned with the UMass logo to the person who submits the most meaningful "Audit Query" for the next Audit Newscast issue.

Our introductory newsletter will tackle the difficult query **"What is Internal Control?"**

**Internal control** is a process designed to help an organization effectively and efficiently meet its objectives, provide reliable financial reports and comply with the law. Controls are classified in two broad categories: hard and soft controls.

Hard controls are typically tangible and are easier to audit. They include:

- Checklists or documented procedures
- Business policies
- Signature approval
- Segregation of duties
- Physical controls such as safes, locks, smoke detectors, alarms, etc.

Soft controls are more difficult to quantify and evaluate. But they are as important to an organization as the hard controls. Soft controls include:

- Organizational climate like core values, ethics, and tone at the top
- Structure, an organizational structure that limits conflicts of interest
- Internal audit functions
- Accountability and management oversight

---

## *Responsibility: We're in this Together!*



Wondering what internal control has to do with you? Everyone at the University has some level of responsibility for internal control. The level will vary depending on your role. All employees are responsible for communicating operational deficiencies, deviations from established procedures, and violations of law or policy. You can report these to your supervisor and /or the Internal Audit department.

Understanding risks and what controls can be put in place to mitigate them, is an integral part of providing reasonable assurance that the University's mission, vision and core values are met. Internal Audit can assist you by examining the adequacy and effectiveness of controls and making recommendations for areas of improvement. We sincerely hope this and future issues of the ***Audit Newscast*** newsletter will help educate you about internal controls and how they affect your role here at the University.

---

## Suspect Fraud?

If you suspect, or discover financial fraud in your department, either follow the Guidelines on our Website below, or your Campus Controllers Website, or call Internal Audit. All calls are handled confidentially when possible.

[www.massachusetts.edu/audit/fraud](http://www.massachusetts.edu/audit/fraud)



Report by Phone

1-508-856-5593



Report by Email

[AuditLine@umassp.edu](mailto:AuditLine@umassp.edu)

## Suspect Financial Fraud?



Fraud is defined generally as a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property by deception or other unethical means. Fraudulent acts may include: embezzlement; forgery or alteration of documents; misappropriation of funds, supplies, inventory and equipment; authorizing or receiving payment for goods or services not performed; and receiving payment for time not worked.

Many of you have never encountered fraud issues at the work place; however, the fact is that ***Fraud Happens***.

While a good system of controls combined with an institutional tone of intolerance can help prevent fraud to a great degree, it may still occur. So, next to ***preventing*** fraudulent activity, a primary objective of an organization is the quick ***detection*** of on-going frauds, in order to minimize the impact of any financial loss being incurred. While management is responsible for the control structure that prevents fraud, every employee in the University can help to detect financial fraud by reporting known or suspected fraudulent activity.

The University has a Financial Fraud policy in place that provides information on how to report known or suspected fraudulent financial activity. Please see:

[University Fraud Policy and Guidelines](#) by using this link or viewing our web site at [www.massachusetts.edu/audit](http://www.massachusetts.edu/audit).

You may also email us at [AuditLine@umassp.edu](mailto:AuditLine@umassp.edu) or leave us a message on a confidential phone line at 508-856-5593.

---

Our newsletters will be sent via e-mail, unless you indicate to us that you would prefer a hard copy. If you know someone who would like to receive this publication, please let us know by calling 508-856-8812 or emailing us at [InternalAudit@umassp.edu](mailto:InternalAudit@umassp.edu).

## Thank you -

University Internal Audit  
Collaborative Service Center  
333 South Street, Suite 450  
Shrewsbury, MA 01545