



# AUDIT Newscast

University Internal Audit

Fall 2009

Audit and Management Advisory Services

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## Visit us Online!

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

<http://www.massachusetts.edu/audit/>

## Contact Us:

### General Inquires

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774-455-7551

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## Welcome!

Welcome to the second edition of **Audit Newscast!** 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. Our Internal Audit staff has compiled several articles which may be beneficial to our primary readers – Department Heads, business managers, and administrative assistants. These items are representative of the practices the Internal Audit staff has encountered during recent audits, or helpful tools that have come to their attention and may be useful to you as well. I appreciate your help in holding up the highest standards of conduct at the University and your enthusiastic cooperation with our University Internal Audit team.

*Jack Wilson*

## Who We Are ...

While many of you are familiar with our office and some may even have been visited by one or more Internal Audit staff, you may not know us,

Robert Harrison, Director, CIA, CPA, CFE: [rharrison@umassp.edu](mailto:rharrison@umassp.edu) – 774-455-7560  
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Dan Sarazen, Senior IT Auditor, CISA: [dsarazen@umassp.edu](mailto:dsarazen@umassp.edu) – 774-455-7558

## Meet an Auditor

Dan Sarazen is our Certified Information Systems Auditor (CISA) and he joined us in January of 2007. In his past life Dan worked at KPMG conducting IT compliance testing for regulatory financial audits. Prior to working at KPMG Dan spent ten years as an IT Regulatory and Security Analyst for the world's largest stock transfer agent, Computershare.

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## 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 Audit Liaisons for each campus are:

Amherst:	Andrew Mangels	413-545-1675	<i>amangels@admin.umass.edu</i>
Boston:	Leanne Marden	617-287-5196	<i>leanne.marden@umb.edu</i>
Dartmouth:	Suzanne Audet	508-999-8076	<i>saudet@umassd.edu</i>
Lowell:	Steve O’Riordan	978-934-3450	<i>steven_ORiordan@uml.edu</i>
Worcester:	Michael Stanton	508-856-1507	<i>michael.stanton@umassmed.edu</i>
President Office:	Christine Wilda	774-455-7549	<i>cwilda@umassp.edu</i>

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## Audit Query



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)

Submit the most meaningful “Audit Query” for the next Audit Newscast issue and you may win a sweatshirt emblazoned with the UMass logo.

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## Audit Query Winner!

**An administrator from the Amherst campus asked:**

What are the laws and University wide policies regarding securing data on individual desktops? What responsibilities do individual users have?

**Answer:** All State Agencies must follow the recently passed M.G.L 93H, which is designed to safeguard the personal information of Massachusetts residents. The best way to ensure that you are in compliance with 93H, as well as all policies regarding electronic data, is to reference the University-wide “Data and Computing policies and guidelines”, which are located on the internet at:

<http://www.massachusetts.edu/policy/datacomputingpolicies.html>

**Some common sense desktop security practices include:**

- Avoid Storing Confidential Information IN THE FIRST PLACE!** – Ask yourself if you really need the confidential information on your desktop/laptop.
- Login Password** – Set your computer to require login password before it can be used to prevent unauthorized access to confidential data;
- Password Change** – Change your password every three to six months just in case it has become known to coworkers or others;
- Password Security** – Do not write your password on a “post-it” note near your computer or monitor;
- Lock Your Desktop** – Locking (Ctrl/Alt/Delete + Enter) your desktop when you walk away for any period of time is a simple means of protecting information.

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## Today's Audit Query

Today we tackle yet another difficult query:

### **"What does an Authorizing Signature Mean?"**

Obtaining and granting approvals is prevalent in day-to-day operations throughout the University. Approving transactions should not be taken lightly. Please take a moment to review the basic principles for controls surrounding authorizations.

An approval indicates that the approver has reviewed the supporting documentation, and ensured it is appropriate, accurate and in compliance with university policies and procedures. Many times an approval is granted without proper review of the transaction. Reasons cited for a lack of such review include time pressure, a routine request, or placing a great deal of trust in the requestor. If supporting information is not presented, sufficient documentation should be obtained to verify the propriety and validity of transactions. As an approver, never be afraid to ask a question if there is something that needs some clarification or if "something just doesn't seem right."

Approval levels should be commensurate with the significance of the transaction. Staff approving transactions should have the authority to make decisions to execute binding contracts, approve purchase transactions, approve personnel actions, etc.

Approval to pay or reimburse business-related expenses of an employee should always be obtained from a higher-level supervisor of that employee. No one should be allowed to approve such payments to him/herself.

Report questionable transactions to your appropriate supervisor. Following the guidelines above will help to ensure granting an approval will be able to stand up to even the closest examination.

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## 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.

If you know someone who would like to receive this publication, please let us know by calling 774-455-7551 or emailing us at [InternalAudit@umassp.edu](mailto:InternalAudit@umassp.edu).

## 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

1-774-455-7555



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***.

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 774-455-7555.

## Why do people commit fraud?

The answer to this question may help us understand that a fraud can be committed by anyone given the right environment. There are three elements common within all frauds: opportunity, need and rationalization. These three items make up what is commonly known as the "***fraud triangle***."

**Opportunity** Many organizations unknowingly provide their employees with opportunities to commit fraud. How? By not having appropriate controls in place to either prevent or detect misappropriation. In some departments, a small staff may make adequate segregation of duties unrealistic; however, appropriate management oversight and monthly review of accounting reports can be effective controls against fraud or theft.

**Need** What is it that causes one employee to commit a fraudulent act, while another remains honest? Financial need is the second element of the fraud triangle and can come from a variety of sources: the need to maintain a certain lifestyle, personal debts and financial losses caused by a poor economy, gambling losses, substance abuse or bad investments.

**Rationalization** This is the third and final element and the means by which a perpetrator "justifies" the fraud or theft. Some common rationalizations include:

- "I'm only borrowing it and I'll pay it back."
- "The department can afford it. Nobody is going to miss it."
- "They don't pay me enough; they owe it to me."

In this current economic environment, where need and rationalization may be more likely, it is more important than ever for everyone to keep a close eye on their departments so that an opportunity for fraud does not exist.