

# INTERNAL CONTROLS ON OUR CAMPUS

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*Select headlines over the past 12 months.....*

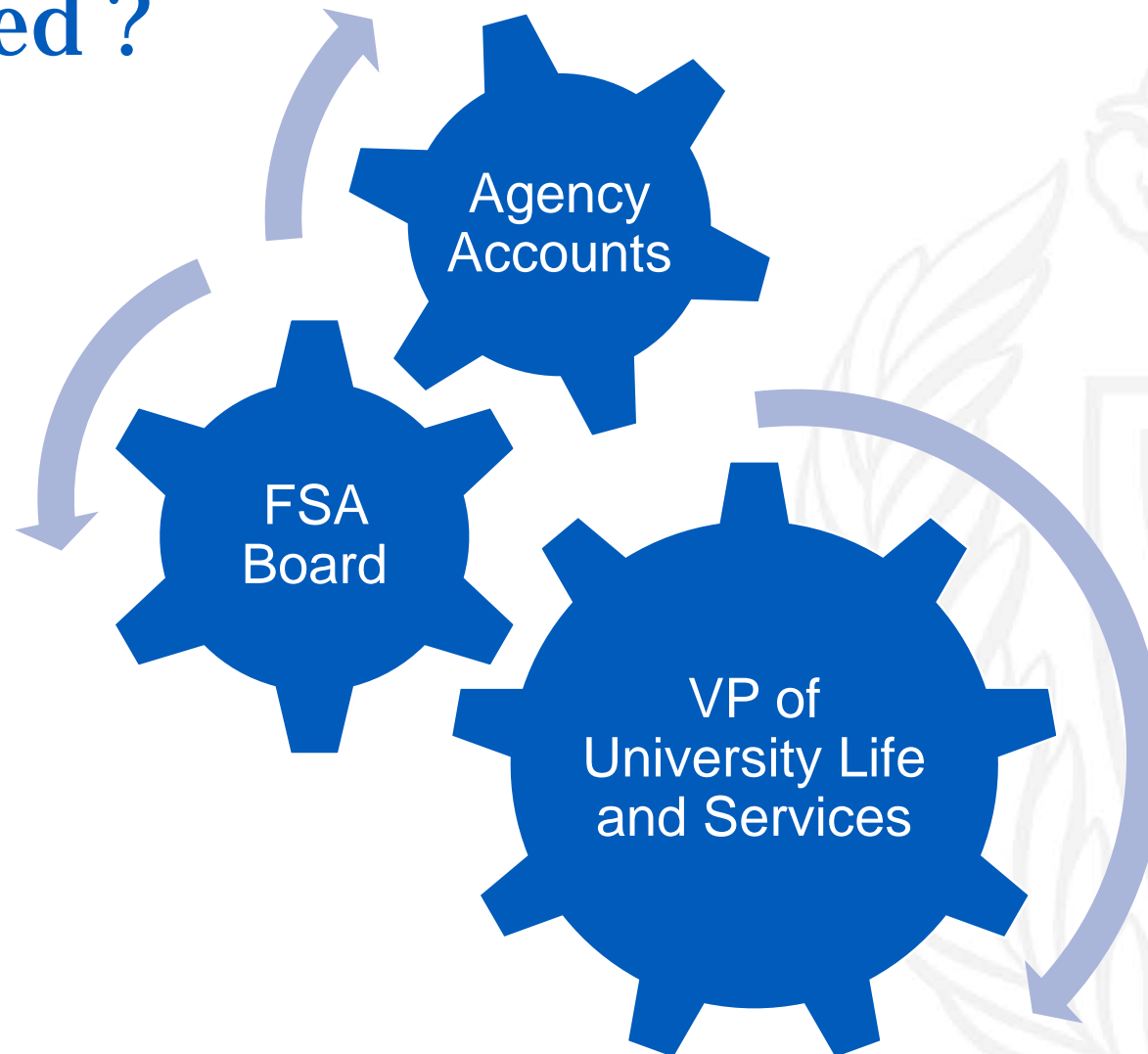
**Dennis Black under investigation for UB spending**

**Former UB VP Dennis Black Pleads Guilty To Stealing \$320,000**

**UB attempts to tighten financial controls**

**State Inspector General's Office says probe into UB embezzlement continues**

# What Happened ?



# Control Breakdowns

Inadequate Segregation of Duties

Decentralized Billing and Accounts Receivables

Lack of Organizational Governance for FSA

- Board Composition
- Fiduciary Responsibility

Insufficient documentation and/or authorization

No “professional” skepticism

External Auditors



# Why ? - Fraud Triangle

## The Fraud Triangle





# STRATEGIC INTERNAL CONTROLS

What is the University doing?





Source: American Institute of CPAs

**COSO Framework:**  
A strong internal control process can prevent fraud!

# Strategic Resource Allocation and Management





## VPFA Strategic Priorities



**Organize, align, and finance VPFA functions and services in a manner that ensures both flexibility and sustainability for the future.**

- Realign and reinvigorate Internal Audit Function
- Moved reporting for Accounts Payable and Travel from Procurement to Financial Management.
- Reinvigorated Policy Library business processes and performance metrics to be more inclusive of campus stakeholders and to ensure more timely policy creation.



**Support the goals of Realizing UB2020 and implement models of operational excellence.**

- Conduct an enterprise risk assessment for the university and implement coordination structure for compliance activities.
  - Created and hired Director of Business Compliance and Internal Controls
  - ERM implementation underway
- Implement UB anonymous hotline and attendant university educational tour.
  - Completed

## VPFA Strategic Priorities



### Implement an Integrated Resource Planning model across the university and its affiliates.

- Enhance risk management activities with affiliated entities.
- Began annual budget meetings with auxiliary enterprises in 2014.



### Implement strategic business systems and process improvements that enhance efficiency, effectiveness, and customer service.

- Partner with the Chief Information Officer in major areas of focus:
  - Implement Strategic Procurement system (web-based procurement) – Fall 2017
  - Implement eTravel – Fall 2017
  - Further enhance SIRI to meet university data and reporting needs (ongoing)
  - Implement new Budget / Planning enterprise system (underway – RFP stage)
  - Improve facilities management system (underway in concert with Six Sigma review results)

## Monitoring Activities– Internal Audit Process

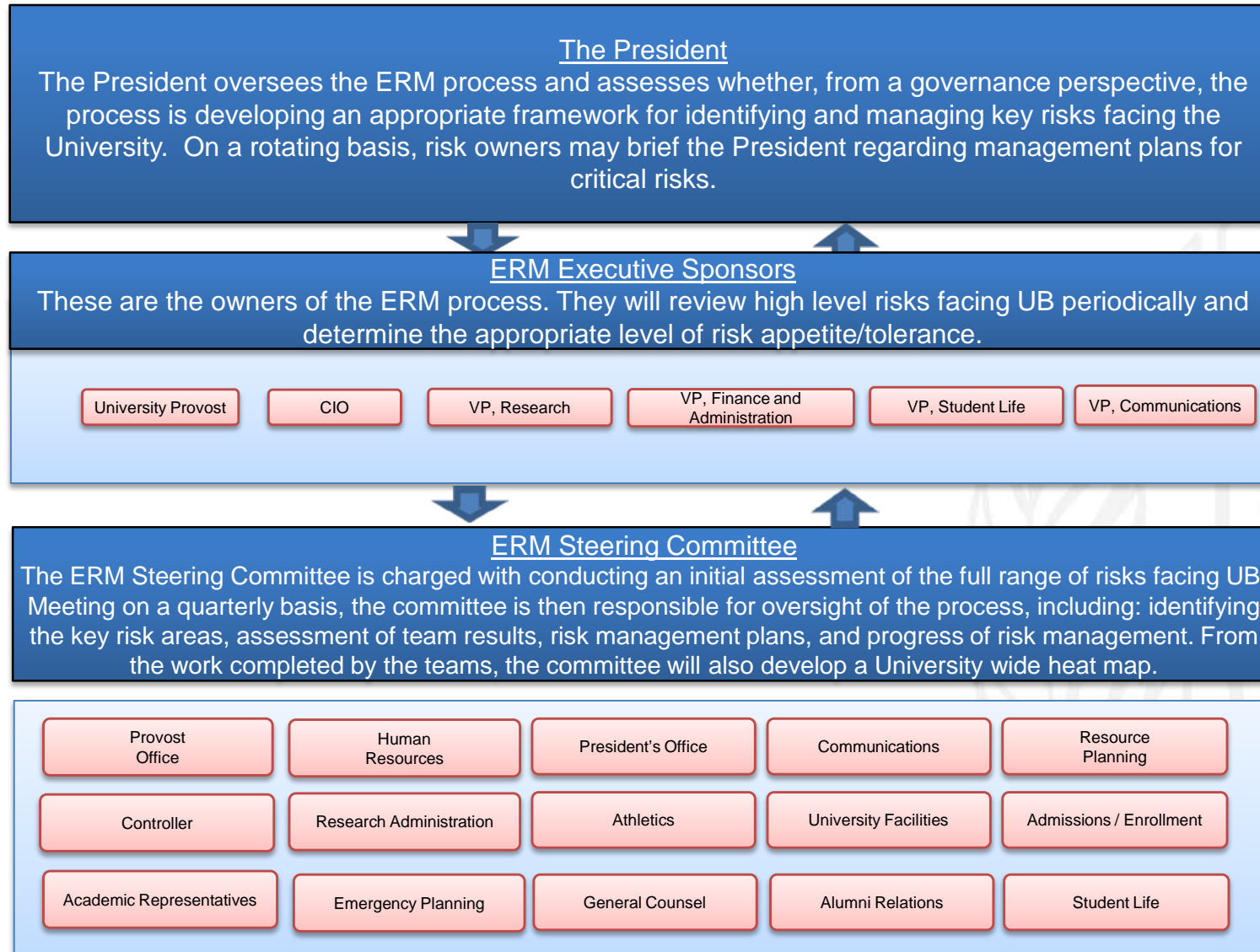
Our Internal Audit function strives to deliver on-going assessment of financial, regulatory, and operational risks and control effectiveness to key stakeholders at UB. As part of their mission, Internal Audit provides the role of meaningful business partner and trusted advisor that promotes a culture of governance, accountability and compliance while dedicated to the achievement of UB's mission and goals. Internal Audit continues to focus on these critical success factors:

- Execute an efficient and effective audit process
- Cultivate a strong audit team capable of adequately responding to risk
- Emphasize Internal Audits' resources on UB's highest risks
- Provide impactful reporting to UB Stakeholders
- Ensure conformance with the Institute of Internal Audit's International Standards

# Risk Assessment

## Enterprise Risk Management (ERM)

As defined by COSO, ERM is a system, “applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”



### Internal Audit (IA)

IA will serve as facilitators for the process, including leading the process, educating participants in risk management and mitigation, conducting meetings, and maintaining records.

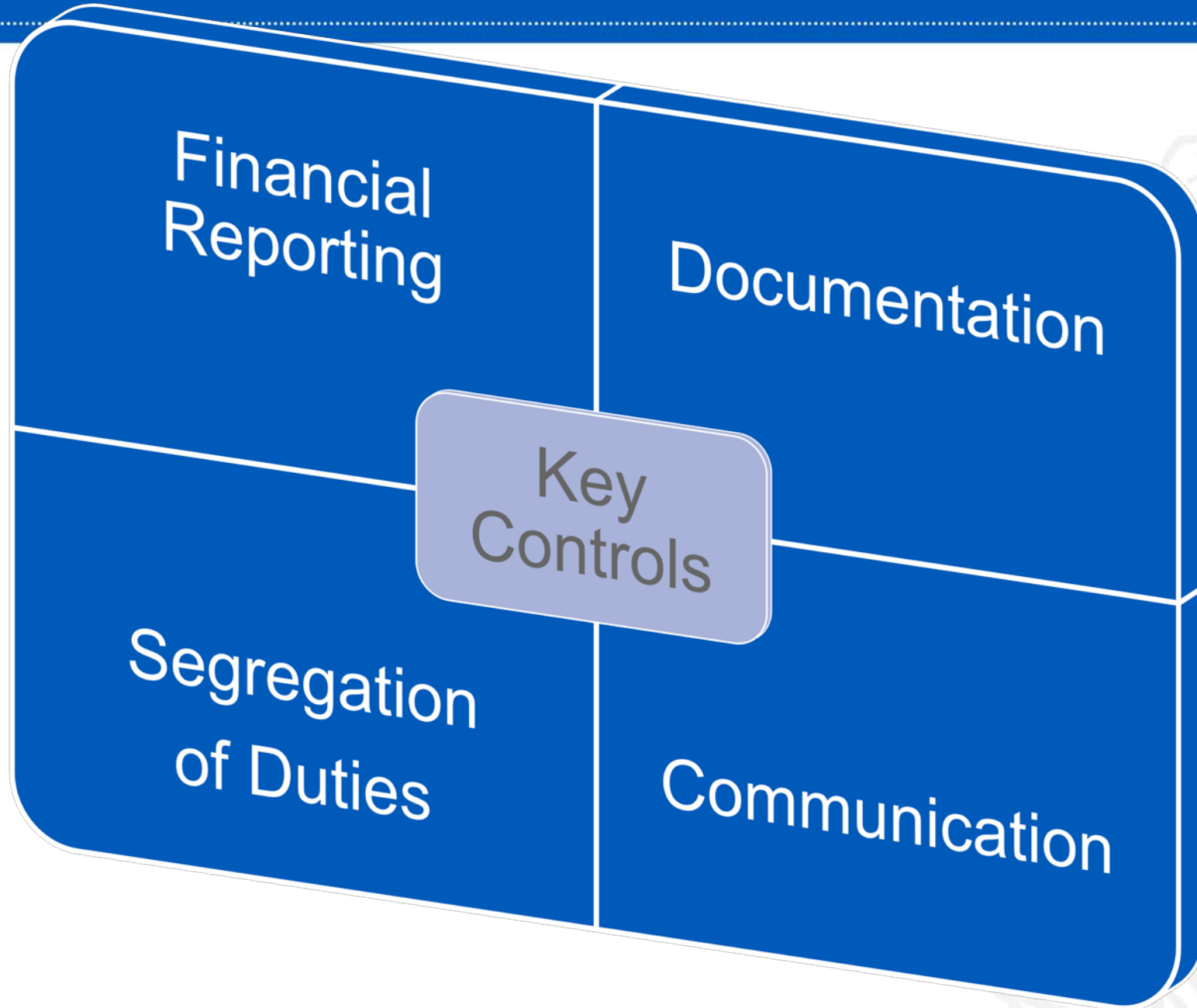


# WHAT SHOULD YOU BEING DOING?



# Commit to a strong Control Environment

- Clearly and consistently communicate a **commitment to ethical values**
- **Independent**, capable Board of Directors
- Establish clear lines of responsibility and authority over financial activities
- Attract, develop, and retains financially **competent** employees
- Hold **individuals accountable** for controls surrounding financial activities such as segregation of duties, appropriate authorization and documentation, and reconciliations.



# Control Activities – Adhere to UB Policies

## Policy Statements

April 2016 - Fraud and Irregularities – Awareness and Reporting Policy - [Fraud and Irregularities](#)

January 2017 - Safeguarding Cash and Cash Equivalents Policy - [Safeguarding Cash](#)

April 2017 - External Audit Activity Policy - [External Audit Activity](#)

May 2017 - Internal Controls Policy - [Internal Controls](#)

September 2017 - Allowable Use of Funds (30 day review) - [Allowable Use of Funds](#)

November 2017 - Ethics Policy (with the Policy Review group)

## Information and Communication

### Ethics Hotline

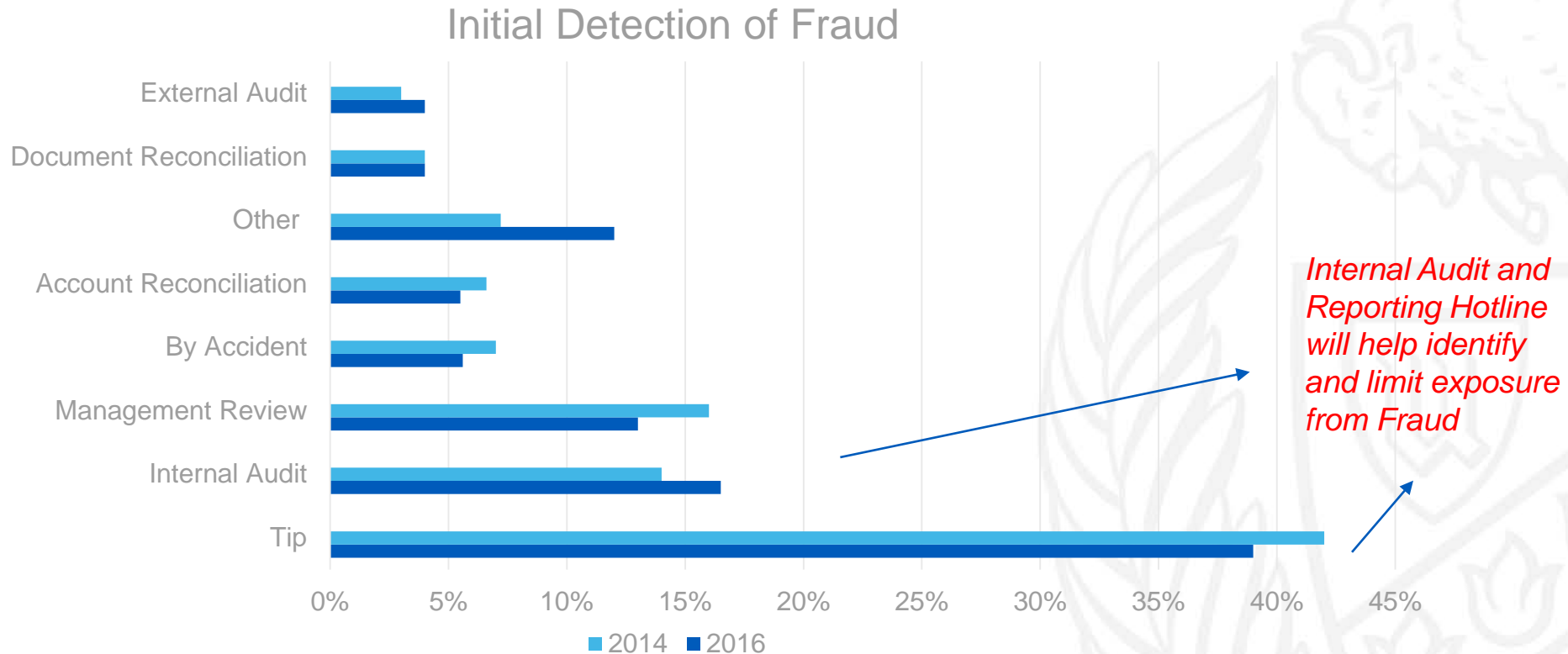
UB launched a secure, confidential reporting hotline called EthicsPoint

EthicsPoint is a comprehensive and confidential tool that provides anonymous reporting to assist management and employees in working together to address fraud, abuse and other misconduct in the workplace.





# Information and Communication



Internationally gathered data provided by private industry, NGOs, and government data. The survey and its results are reported in the 2016 Global Fraud Survey by the Association of Certified Fraud Examiners.

# A FINAL BIT OF CONTEXT



# Fraud Occurs in Governments Too

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# Type of Victim Organization – Frequency and Median Loss

