



Internal Control 2015 Training



Internal Control Training is a mandate under the New York State Internal Control Act, which states that NYS agencies implement education and training efforts to ensure all employees achieve an adequate awareness and understanding of internal control.



WHAT IS INTERNAL CONTROL?

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives relating to effective operations, reliable reporting, compliance with laws and regulations, and safeguarding of organizational assets.



For Example:

To ensure that a bank account balance is accurate, the account owner performs a reconciliation of the activity;

To prevent unauthorized transactions, supervisory signoff is required on all requisitions;

To prevent theft of supply inventory, the inventory storeroom is locked and access is limited to specific personnel.



Control Activities are a Key Component of Internal Control

CONTROLS are the things we do or what we use to make sure things happen the way we want them to happen.

BUT also, control activities make sure things we don't want to happen quite simply don't!



Examples of Control Activities

❖ Policies and procedures

Actions established through POLICIES that state what is expected and PROCEDURES that put those policies in action.

❖ Segregation of duties

No one should control a process from start to finish. Transactions should have an initiator and an approver.

❖ Monitoring activities

Monitoring can help identify transactions that deviate from the norm.

❖ Passwords

Protect vital and sensitive information.



- ❖ **External directives such as Federal and State Laws and Regulations**
Provide framework for operations.
- ❖ **Proper approvals and authorizations**
Ensure that only official transactions are processed.
- ❖ **Education and knowledge of employees**
Ongoing operations are conducted by qualified staff.



ADVANTAGES OF SETTING UP AN EFFECTIVE SYSTEM OF INTERNAL CONTROL

- Reduces careless mistakes and avoids risky transactions;
- Increases staff efficiency;
- Fosters accountability for responsibilities under a person's control;
- **The number one deterrent to internal fraud and embezzlement.**



10 Suggestions for Strong Internal Control and Successful Operations

- 1) Set a strong example for the expectation of ethical behavior, compliance with regulations and policies, and a respectful work environment.
- 2) Never sign anything you don't understand.
- 3) Don't let anyone sign your name.
- 4) If something doesn't make sense, ask questions until you feel confident you understand.
- 5) Consider the risks associated with your department and ensure sufficient oversight is provided.
- 6) Keep offices and labs locked to protect property, data and other resources.
- 7) Ensure University assets are used only for University business.
- 8) All expenditures should have a clear business purpose, should be approved by someone other than the requestor and should be supported by adequate documentation.
- 9) Written departmental procedures provide guidance to employees and ensure consistent practices.
- 10) Be familiar with University policies. www.stonybrook.edu/policy



FRAUD

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.



OCCUPATIONAL FRAUD

The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.



FRAUD IN THE NEWS

On Sept. 12, 2014, a former school district employee was sentenced to 24 months in prison for embezzling from the school district. According to court documents, she admitted that she stole funds and used the money for her personal benefit. She did not have signature authority over any financial accounts; however, she had sufficiently gained the trust of the person with signature authority who signed blank checks that the embezzler would subsequently make payable to either “cash” or fictitious payees. She concealed her activities by recording false check amounts in the check register

On Sept. 5, 2014, a former office manager was sentenced to 27 months in prison after pleading guilty to forgery. According to court documents, as office manager, she was responsible for paying the company’s bills, depositing checks into the company bank account, and maintaining the company’s books and records. She admitted to forging the signature of the company’s owner on a check and using the proceeds for her personal benefit.



FRAUD IN THE NEWS

In 2014, a bookkeeper was sentenced to 51 months in prison and ordered to pay restitution and the taxes that he owed. According to court documents, he admitted to embezzling \$1.2 million from his former employer. From 2006 to 2011, he secretly wrote a series of company checks made payable to him and altered company books and records to conceal the fraud.

On July 28, 2014, a former employee at an automobile plant was sentenced to 30 months in prison after pleading guilty to stealing auto manufacturing equipment. According to court documents, while employed as a fork lift operator, he stole the equipment that he subsequently resold. Investigators with the automobile company discovered that a significant amount of expensive equipment was missing and later identified some of the equipment advertised for sale on eBay.



Fraud and Internal Controls

- Participants of a survey used to compile the Association of Certified Fraud Examiner's 2014 *Report to the Nations on Occupational Fraud and Abuse* concluded that lack of appropriate internal controls increases the risk of fraud within an organization.



The Report to the Nations on Occupational Fraud and Abuse also concludes that **tips are consistently and by far the most common source of reports of suspected fraud**

and

organizational hotlines have proven to be the most effective tool for employees to report suspected incidents of fraud or abuse.



WHY REPORT FRAUD?

- Ethical responsibility
- Statutory and regulatory requirements
- To deter others from committing fraud and abuse
- To avoid being part of a fraud scheme
- To avoid administrative action
- To avoid civil penalties
- To avoid criminal prosecution
- It's the right thing to do



Each of Us at Stony Brook University has a Fiduciary Responsibility to Assist in Preventing Fraud

Stony Brook University is committed to the responsible stewardship of our funds and other resources and encourages any University employee or other individual who is aware of or suspects acts of fraud, waste, abuse or other irregular activities to report such acts. These activities include improper transactions, such as suspected thefts, losses, misuse or inappropriate action involving funds, equipment, time, facilities, vehicles, supplies or other assets. The University does not tolerate fraudulent or other dishonest behavior and will take appropriate action upon receiving such reports.



How to report fraud, waste or abuse

Individuals with concerns regarding known or suspected acts of fraud, waste or abuse may report their concerns through Stony Brook's Fraud hotline or by regular mail or fax:

Fraud Hotline: www.stonybrook.edu/fraud

Regular Mail: Audit & Management Advisory Services
291 Administration Building
Stony Brook, NY 11794-1308

Fax: 631-632-2981



And Now...A Message From Dr. Stanley

Dear Employee:

From its beginnings a little more than a half-century ago, Stony Brook University has been characterized by innovation and progress. It is transforming the lives of students studying to earn valuable degrees, researchers making groundbreaking discoveries and a dedicated workforce contributing to the University's success. As we continue on this dramatic trajectory of growth, I'd like to make you aware of the importance of internal controls in ensuring efficient and effective operations, while simultaneously safeguarding the University's assets against loss due to waste, abuse, mismanagement, error and fraud. A strong internal control system is a means of monitoring University efforts to uphold competent and ethical business practices.

Employee participation and compliance are fundamental to any effective internal control system. For it to be successful, we all must remain committed to achieving the University's goals and objectives. This can be accomplished by maintaining a positive work environment, fulfilling responsibilities while meeting applicable performance standards, and following laws and regulations, as well as organizational and departmental policies and procedures that support operations and address areas of risk.

I encourage you to become familiar with Stony Brook University's Internal Control Program, Strategic Vision and five-part Mission, all of which can be found on the University's website. With your support and understanding, we can work together to ensure that Stony Brook's Internal Control System continues to safeguard University assets, improve our processes and procedures, and help us thrive and grow for years to come.

Sincerely,

Samuel L. Stanley Jr., MD
President



THIS TRAINING HAS BEEN BROUGHT TO YOU BY:

STONY BROOK UNIVERSITY
AUDIT & MANAGEMENT ADVISORY SERVICES
291 ADMINISTRATION

For More Information On Internal Controls:

[Stony Brook Internal Controls](#)