

# Fraud, COSO Internal Controls & Risk:

(Thoughts for Building Better Mouse Traps in Government)

Presented by:  
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1

## Today's Agenda

- Risk
- Managing Risk Through Controls
- Fraud and Internal Control
- Bringing it all Together: Tips, Strategies & Best Practices



## Definition of Internal Control

Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of entity's objectives with regard to:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations

Source: AICPA SAS 115 3

## Definition of Risk Assessment

Risk analysis involves a careful, rational process of estimating the significance of a risk, assessing the likelihood of its occurrence, and considering what actions and controls are necessary to manage it.

Risk analysis involves estimating the cost to the agency if an unexpected risk actually occurs.

4

## Risk – What Is It?



- Anything bad that might happen and prevent us from achieving our objectives.
- Why should you care?

Because every manager is a risk manager.

5

## A Real Life Example – Nov. 18, 1999



- 12 Dead and 27 Injured in Bonfire Collapse.
- “...panel found that organizational failure contributed to the bonfire accident.”
- Texas A&M today

6

## Possible Responses to Risk



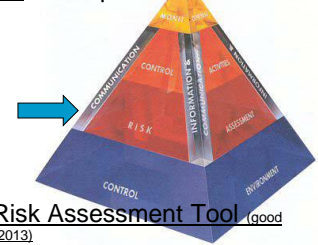
- 1. Avoid it.
- 2. Live with it.
- 3. Share it (or transfer it to someone else).
- 4. Attempt to manage it.

7

## Managing Our Risks

- Through ensuring we have adequate internal controls in our processes and organization.

- COSO Model



- Use a Fraud Risk Assessment Tool (good example in JOA, March 2013)

8

## Internal Control A Brief History

- Term was first used in 1949 by the AIA (now AICPA) and revised in 1972 yet...
- Internal Control like things have been going on since ancient times.
- As society changed so did the need for more advanced control.

9

## Ancient Control

Tally Sticks



Ezra



Pacioli



10

## Milestone Foreign Corrupt Practices Act

- In mid 70's over 400 US companies involved in bribery
- Congress's response
  - Unlawful to bribe
  - Accounting Provisions
    - Must keep good books
    - Must maintain an adequate system of Internal Controls.

## COSO (aka Treadway Commission)

- COSO was organized in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative that studied the causal factors that can lead to fraudulent financial reporting.

12

# Who Makes Up COSO?

Five major professional associations headquartered in the United States:

1. American Accounting Association (AAA)
2. The American Institute of Certified Public Accountants (AICPA)
3. Financial Executives International (FEI),
4. The Institute of Internal Auditors (IIA),
5. Institute of Management Accountants (IMA)



# Internal Control-Integrated Framework

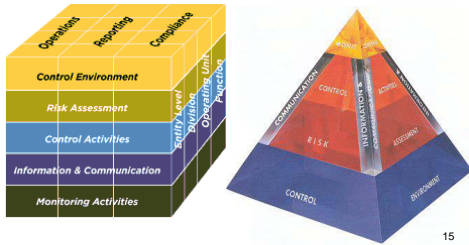
- First published in 1992
- Gained wide acceptance following financial control failures of early 2000's
- Most widely used framework in the US
- Also widely used around the world



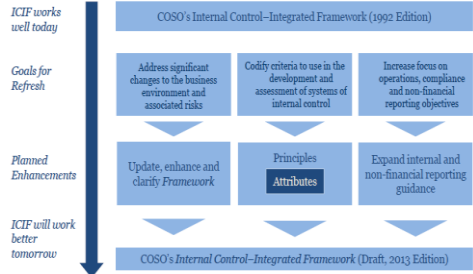
Original COSO Cube

# Internal Control & COSO...

1992 COSO published Internal Control – Integrated Framework (Pyramid); 2013 – new cube.



# Why Update What Works



# Summary of Updates

What's changed...

The experienced reader will find much familiar in the updated Framework, which builds on what has proven effective in the original version.

## What is not changing...

1. Definition of internal control
2. Five components of internal control
3. The fundamental criteria used to assess effectiveness of systems of internal control
4. Use of judgment in evaluating the effectiveness of systems of internal control

## What is changing...

1. Update to reflect current conditions in business and operating environments
2. Codify principles that support the five components of internal control
3. Expand financial reporting objective to include internal reporting and external non-financial reporting
4. Increase focus on operations, compliance and reporting objectives

# Summary of Updates

## Ever-changing conditions...

- Expectations for governance oversight
- Globalization of markets and operations
- Changes in business models
- Demands and complexity of rules, regulations and standards
- Expectations for competencies and accountabilities
- Use and reliance on evolving technology
- Expectations for preventing and detecting fraud

## Drive updates to the Framework...



Updated COSO Cube

Internal Control Is Affected by those charged with Governance – an Entity’s Board of Directors, Management, & Other Personnel. The Establishment of Internal Control Is **MANAGEMENT’S** Responsibility.

19

Those Charged With Governance:

is defined as: “the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting and disclosure process.”

In most entities, governance is a collective responsibility....

20

Internal Control, No Matter How Well Designed and Operated, Can Only Provide **REASONABLE Assurance** to Management and the Board of Directors Regarding Achievement of an Entity’s Control Objectives.

21

COSO 2013 Internal Control Framework Consists of 5 Interrelated Components (and, 17 Principles):

- *Control environment*
- *Risk assessment*
- *Control activities*
- *Information and communication*
- *Monitoring*

22

### Summary of Updates

Codification of 17 principles embedded in the original Framework

<b>Control Environment</b>	<ol style="list-style-type: none"> <li>1. Demonstrates commitment to integrity and ethical values</li> <li>2. Exercises oversight responsibility</li> <li>3. Establishes structure, authority and responsibility</li> <li>4. Demonstrates commitment to competence</li> <li>5. Enforces accountability</li> </ol>
<b>Risk Assessment</b>	<ol style="list-style-type: none"> <li>6. Specifies relevant objectives</li> <li>7. Identifies and analyzes risk</li> <li>8. Assesses fraud risk</li> <li>9. Identifies and analyzes significant change</li> </ol>
<b>Control Activities</b>	<ol style="list-style-type: none"> <li>10. Selects and develops control activities</li> <li>11. Selects and develops general controls over technology</li> <li>12. Deploys through policies and procedures</li> </ol>
<b>Information &amp; Communication</b>	<ol style="list-style-type: none"> <li>13. Uses relevant information</li> <li>14. Communicates internally</li> <li>15. Communicates externally</li> </ol>
<b>Monitoring Activities</b>	<ol style="list-style-type: none"> <li>16. Conducts ongoing and/or separate evaluations</li> <li>17. Evaluates and communicates deficiencies</li> </ol>

23

### Value Proposition

Enhance performance with greater agility, confidence and clarity

The updated *Framework* better supports efforts to design and adapt systems of internal control:

- **Agility** – Adapt to increasing complexity and pace of change
- **Confidence** – Mitigate risks to achieve important objectives
- **Clarity** – Provide reliable information to support sound decision making

24

## Benefits of the Updated Framework

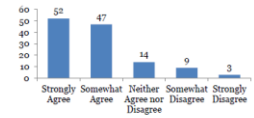
- Improve governance
- Expand use beyond financial reporting
- Improve quality of risk assessment
- Strengthen anti-fraud efforts
- Adapt controls to changing business needs
- Greater applicability for various business models



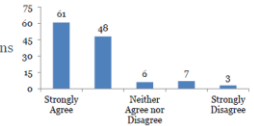
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## The Updated Framework Will Help Strengthen Systems of Internal Control

- 79% agree
- Only 10% disagree



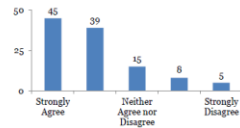
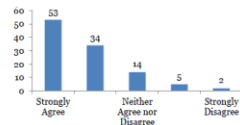
- 87% agree that the principles and related attributes are helpful in describing important considerations of effective systems of internal control



26

## The Updated Framework Appropriately Expands the Reporting Objective

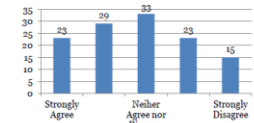
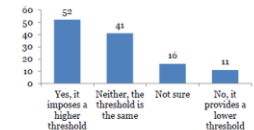
- 81% agree
- Only 6% disagree
- 75% agree that expanding the reporting objective does not diminish the ability to report on internal control over external financial reporting



27

## The Updated Framework will Impose a Higher Threshold and Additional Burden

- 43% believe that it creates a higher threshold
- 34% believe that it maintains the same threshold
- 9% believe that it does not create a higher threshold
- 42% agree that it will impose additional burden on entities' reporting on internal control
- 31% disagree
- 27% neither agree nor disagree



28

## Components & Principles in Detail

### Control Environment

The control environment sets the tone of an organization influencing the control consciousness of its people.

It is the foundation for effective internal control, providing discipline and structure.

29

30



## Management's Philosophy and Operating Style

Management philosophy is the set of shared beliefs and attitudes characterizing how the agency handles everything it does, from developing and implementing strategy to day-to-day activities. This philosophy reflects the agency's values, influencing its culture and operating style, and affects how well fiscal programs can implement, maintain, and enforce control.

MAAPP Manual Section 30 31



## Management's Philosophy and Operating Style

Management philosophy appears in policy statements, oral and written communications, and decision-making. Management reinforces the philosophy more with everyday actions than with its words.

MAAPP Manual Section 30 32



## Management's Philosophy and Operating Style

- Approach to taking and monitoring business risks
- Attitudes and actions toward financial reporting (conservative or aggressive application of GAAP, conscientiousness and conservatism when developing accounting estimates)
- Attitude toward information processing and accounting functions and personnel

33



## Risk Assessment

- Involves the forward look at what could prevent the organization from achieving its objectives.

34



## Risk Assessment

- Inherent – by the very nature of the organization
- Direct – as a result of actions taken by management or employees
- Internal – affected by actions within the organization
- External – affected by actions outside the organization

35



## External Influences Contributing to Risk:

- Economic Conditions
- Social Conditions
- Political Conditions
- External Regulation
- Natural Events
- Supply Sources
- Technological Changes

Source: AICPA SAS 109 36



## Internal Influences Contributing to Risk:

- Changes in personnel duties
- Availability of funds for new initiatives or continuation of key programs
- Employee relations
- Information systems
- Data processing
- Cash management activities
- Asset protection and preservation

Source: AICPA SAS 109 37



## This Guy Assesses Risk


38



## Managing Risk...

- Can you identify internal and external risks?
- Which risks are significant?
- Do you have a thorough risk analysis process?
- Can you adequately anticipate the risk associated with change (self-imposed or as a result of external infliction)?

39



## What Are Some Common Organizational Risks?

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40



## Control Activities

- Involves things that most people commonly call internal controls:
- Separation of duties.
- Approvals & Authorization.
- Documentation
- Physical control over assets
- Independent checks on performance.

41



## Control Activities...

...Are the Policies and Procedures That Help Ensure Management Directives Are Carried Out and Necessary Actions Are Taken to Address Risks that Threaten the Achievement of the Entity's Objectives.

42



## Organizational Structure

- Appropriate framework for necessary planning, execution, control, and review of entity wide objectives
- Adequately defined key areas of authority and responsibility; and, appropriate lines of reporting
- Appropriate organization structure depends upon size, complexity, and nature of activities

43



## Assignment of Authority and Responsibility

- How responsibility assigned
- How authority delegated
- Appropriate business practices
- Knowledge and experience of key personnel
- Appropriate resources provided for carrying out duties
- Policies and communications so all personnel understand entity's objectives, know their roles and how they will be held accountable

44



## Human Resource P&Ps

- Relate to recruitment, orientation, training, evaluation, counseling, promoting, compensating, and remedial actions
- Adequate background checks (educational background, prior work experience, past accomplishments, evidence of integrity & ethical behavior)
- Adequate retention and promotion criteria (continued education; performance appraisals; code of conduct guidelines)

45



## Communication & Enforcement of Integrity & Ethical Values

- Codes of conduct (behavioral statements)
- Policies and procedures regarding:
  - Acceptable business practices
  - Conflicts of interest
  - Expected standards of ethical and moral behavior
- How communicated & reinforced

46



## Communication & Enforcement of Integrity & Ethical Values

- Dealings with employees, suppliers, customers, investors, creditors, insurers, competitors, and auditors
- Pressures to meet unrealistic performance targets

47



## Information & Communication

- Involves the timely flow of information both directions up and down.
- Expectations must flow as well as feedback.
- Best policies are completely worthless if the users don't know they exist (or how to interpret/use them).

48



## An illustration of ineffective communication

49

## Monitoring

- Involves the ongoing assessment to ensure controls are functioning as intended.
- Paying attention to what is happening.

50

## Happily Ever After!

With the implementation of the COSO integrated framework there have been no further problems with financial reporting frauds or material misstatements. REALLY???



51

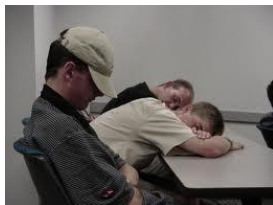
## But lets face it.....



For most people that is well..... BORING and an ineffective way to communicate controls.

52

Exclusive photo from the last time an auditor discussed COSO Model with non-auditors:



53

## Timeout for... The Mystery of Internal Controls



"Everyone has a personal internal control system (PICS)."

54

## Risk Assessment a Practical Illustration



55

## PICS

- Your House – locking doors
- Debit Cards – pin numbers
- Bank Accounts – monthly reconciliations
- Your Car – maintenance, insurance.
- Yourself – seat belts, exercise, insurance.
- Anything you do in your personal business to protect yourself and achieve objectives.

56



## Evaluating Controls – Not a One Time Thing...

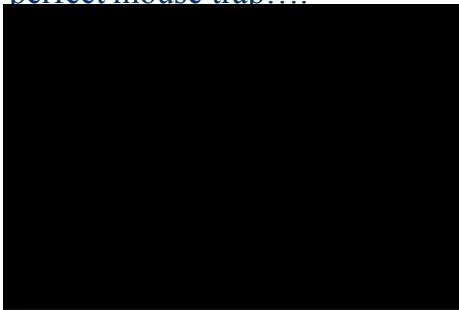
***Paradigm Shift “Educator”–  
You have a role in helping put  
controls in a language non-  
accountants can understand.***

Processes change, positions are not replaced, budget reductions, new threats emerge.....

57

58

When you think you have the perfect mouse trap....



59

## Epic Failure in Controls

***Remember: internal controls will only work if you actually use them and use them correctly.***



## 10 Suggestions for Internal Control



Following these simple suggestions will greatly improve the controls in your area.



61

## 10 Suggestions

1. Set a strong example for the expectation of ethical behavior, compliance with laws/policies, and communicate your expectations routinely to your unit's personnel.
2. Never sign something you don't understand.
3. Limit signature authority and don't let anyone sign your name (an employee should sign their own name). Never use a signature stamp.

62

## 10 Suggestions

4. If something doesn't make sense ask questions about it until you do. Pay attention to what your employees are doing.
5. Be familiar with state policies and procedures. Be willing to call and ask questions.
6. Consider unique risks your unit may have (i.e. cash collections, contracts and grants, etc.) and ensure additional oversight is provided.

63

## 10 Suggestions

7. Ensure accounts are reconciled monthly and review this reconciliation for any unusual transactions. (This should include a review of payroll and leave reports.)
8. Don't let one employee have complete control of any process.
9. Keep offices and labs locked to protect property, data, and other resources. (Remember to shred paper documents with identifying information.)
10. Ensure state assets are used for state business.

64

## Avoid the Myths...

- "We will send it through and if it is processed, if it is, then it's okay."  
Fiduciary responsibility rests with you if you send something through you are saying it's okay.
- "It is our money anyway, we can spend it however we want." State and federal law dictate what is allowable – you are a steward of funds.
- "If the law doesn't address it, then we can do it." Just because the law doesn't address it doesn't mean it's okay...

65

## And you must remember why this matters...

- For every dollar you lose to a compliance failure and its remediation, it's a dollar lost to your primary mission.
- For every dollar you lose to fraud and its remediation, it's a dollar lost to your primary mission.
- This doesn't even factor in morale effects of a substantial event.



66

## Focus on Fraud

Controls matter in preventing and detecting fraud. Because of this strong correlation, we will now talk about specific fraud risks.



67

## Fraud Defined

In *criminal law*, **fraud** is the crime or offense of deliberately deceiving another in order to damage them – usually, to obtain property or services unjustly.



68

## ACFE 2014 Report to the Nation

The term “occupational fraud” may be defined as:

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

Measuring the Cost of Occupational Fraud:

At the outset, it should be clear to anyone who has spent time dealing with the subject of occupational fraud that attempts to accurately measure the frequency or cost associated with occupational fraud in the United States will be, at best, incomplete.

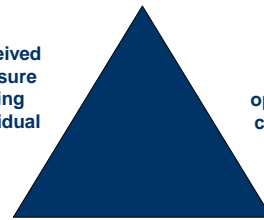


69

## The Fraud Triangle

Perceived pressure facing individual

Perceived opportunity to commit fraud

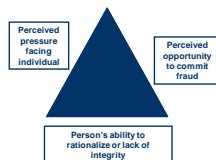


Person's ability to rationalize or lack of integrity

70

## Pressure

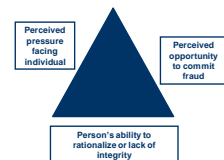
- Key is that the pressure is non-sharable.
- Typical pressures include
  1. Debt
  2. Addictions: alcohol, gambling, drugs
  3. Family problems: health, marital



71

## Rationalization

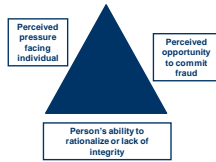
- They don't pay me enough.
- I'm only borrowing.
- Everyone else is doing this.
- This is a corrupt organization.



72

## Opportunity

- Access to funds
- Access to inventory
- Ability to process transactions



73

## Fraud Quick Facts:

- Most fraud is found by employees & managers simply paying attention to what is going on.
- Perception of detection is the best deterrent to fraud.
- All employees have a role in ensuring ethical business dealings of the institution.
- When fraud occurs it has implications: donors, legislators, research, etc...

74

“Never trust the people you cheat with.  
They will throw you under the bus.”  
Marianne M. Jennings

“Three people can keep a secret if two  
are dead.” Ben Franklin

75

## An economic down turn increases our risk of fraud

(ACFE 2009 Study on Fraud & Economy)



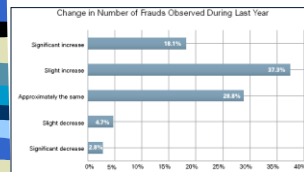
76

## Impact of Economy on Fraud

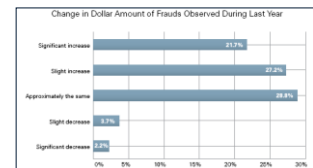
Results of ACFE 2009 Research:  
*Occupational Fraud: A Study of the  
Impact of an Economic Recession:*  
507 responses between February &  
March 2009

Series of questions asked regarding  
participant's observations of and  
opinions about fraud in a weakened  
economy

77



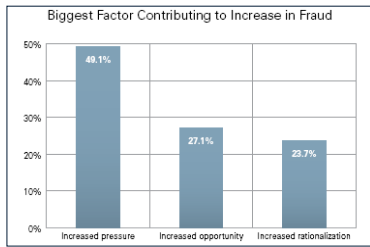
1. The Level of  
Fraud has  
Increased since  
the Beginning of  
the Economic  
Crisis



78

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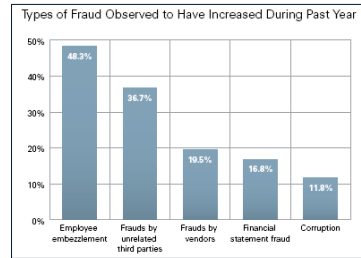
## 2. The Current Increase in Fraud Stems from the Intense Pressure Faced by so many Individuals



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79

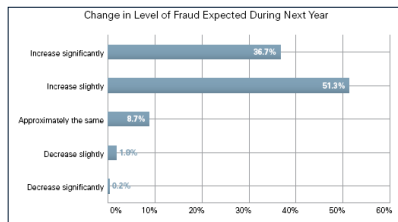
## 3. Employees Pose the Greatest Threat to Organizational Resources in the Current Economy



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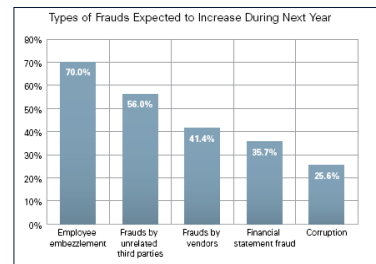
## 4. Fraud Levels are Expected to Continue Rising



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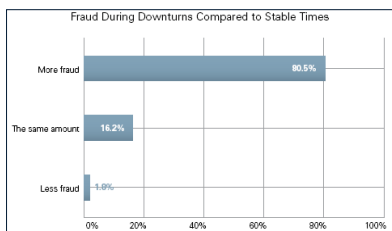
## 5. Organizations Need to take Seriously the Threat Posed by Employees



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82

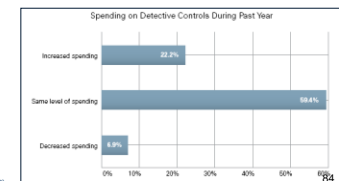
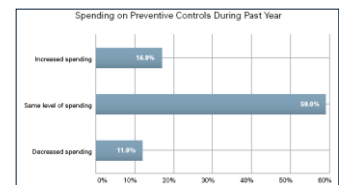
## 6. Fraud Thrives in Times of Economic Turmoil



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83

## 7. Even While Facing Budget Reductions, Organizations have not Cut Spending on Fraud-Related Internal Controls



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84





## Damages to Victims go Beyond Dollars & Cents

- Reputation
- Loss of Public Confidence
- Detrimental to attracting new potential customers, legislators, employees, donors & volunteers
- Damage to relationships
- Sagging staff morale
- Distraction from the mission

91

## Fraud Trivia – 2014 2012 [2010] {2008} (2006)

- **53.9%** **55.2%** [57.2%] {59%} (61%) – Male 
- **46.1%** **44.8%** [42.8%] {41%} (39%) - Female 
- **46.5%** **43%** [42.1%] {39.7%} (41.2%) - Employee;
- **31.9%** **34.3%** [41.0%] {37.1%} (39.5%) - Manager;
- **17.3%** **18.5%** [16.9%] {23.3%} (19.3%) - Executive
- Fewer cases involving older individuals; but, larger \$\$
- The higher the degree, the fewer cases; but, more \$\$ involved

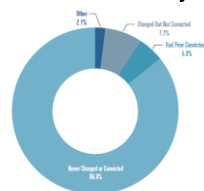
Source: Association of Certified Fraud Examiners, Inc.

## Fraud Trivia, cont.....

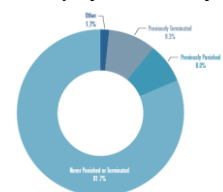
- Tenure – 2014 2012 [2010] {2008} (2006):
  - 10 years+ – **25.4%** **25.3%** [25.4%] {27.5%} (37.7%)
  - 5-10 years – **23.2%** **27.2%** [23.2%] {24.6%} (26.3%)
  - 1-5 years – **45.7%** **41.5%** [45.7%] {40.5%} (25.7%)
  - Under 1 year – **5.7%** **5.9%** [5.7%] {7.4%} (10.2%)
- Criminal History – 2014 2012 [2010] {2008} (2006):
  - Never charged or convicted before – **86.6%** **87.3%** [85.7%] {87.4%} (87.9%)
  - Prior conviction(s) – **5%** **5.6%** [6.7%] {6.8%} (7.7%)
  - Charged but not convicted – **7.2%** **5.9%** [7.7%] {5.7%} (4.4%)

Source: Association of Certified Fraud Examiners, Inc.

## Fraud Perpetrator's Criminal History



## Fraud Perpetrator's Employment History



Source: Association of Certified Fraud Examiners, Inc.

94

## Fraud Trivia: 2014 2012 [2010] {2008} (2006)

### How discovered:

- Tip – **38.4%** **43.1%** [37.8%] {46.2%} (34.2%)
- Internal controls – **33.2%** **27%** [32.4%] {23.3%} (19.2%)
- Internal audit – **13.1%** **11.7%** [13.7%] {19.4%} (20.2%)
- By accident – **8.2%** **7.8%** [9.3%] {20.0%} (25.4%)
- External audit – **4%** **3.5%** [4.2%] {9.1%} (12.0%)
- Notified by police – **2%** **3.8%** [1.9%] {3.2%} (3.8%)

Source: Association of Certified Fraud Examiners, Inc.

## Red Flags



*Behavioral  
Organizational  
Document*

96



## Red Flags: Behavioral

- Never takes a vacation
- Comes in early, leaves late
- Lifestyle doesn't seem to match salary or a lifestyle that suddenly increases substantially.
- High personal debt
- Behavioral change

Note – partial list on red flags.

97

## Red Flags - Organizational

- Lack of ethical tone at the top.
- Lack of documented policies and procedures.
- Low employee morale.
- High employee turnover.
- Lack of cooperation with auditor.

98

## Financial Document Red Flags

- Missing documents
- Information only provided after unreasonable delay
- Only photocopies, faxes, or scanned documents available
- Alterations and discrepancies in documentation
- Handwritten documents are provided instead of computerized documents
- Invoices not folded for envelope
- Unusual billing addresses
- Address of employee same as vendor
- Questionable handwriting or authorization
- Duplicate payments
- Odd, unusual or different transactions

99

100

101

102



### Key Points:

- The “right choice” is sometimes obscured by considerations never before faced by our professional predecessors
- Often, there is no obvious line between “right and wrong”



109

### Key Points:

- We find ourselves on a “slippery slope” when it comes to finding the best course of action
- Rules can’t always be relied upon to supply the answer
- New ethical issues emerge every day in this “information age”



110

### Key Points:

- Public trust in our financial systems and profession depends on keeping high standards of conduct among those who handle financial affairs.
- Without basic trust in our government, economy, currency, and business practices, the system would collapse.



111

### Key Points:

- Adherence to ethical standards secures the greater good of the industry and ensures that the ethical behavior of the individual member is above reproach.
- Psychologists tell us people naturally act in their own best interests. Therefore, it is in the best interest of the professional to be aware of the ethical codes that should guide his or her behavior.



112

### Types of Ethical Dilemmas:

Developed and listed in **Exchange**, the magazine of BYU School of Business

- Taking things that don't belong to you
- Saying things you know are not true
- Giving or allowing false impressions
- Buying influence or engaging in conflict of interest
- Hiding or divulging information
- Taking unfair advantage

113

### Types of Ethical Dilemmas:

Developed and listed in **Exchange**, the magazine of BYU School of Business

- Committing acts of personal decadence
- Perpetrating interpersonal abuse
- Permitting organizational abuse
- Violating rules
- Condoning unethical actions
- Balancing ethical dilemmas

114



## How We Avoid Ethical Dilemmas – We Call it Something Else:

- Downloading music – instead of “copyright infringement” we call it “peer-to-peer file sharing”
- Juggling numbers in financials – instead of “falsifying numbers” we call it “smoothing earnings”, “finance engineering”, “good finance strategy” or “cooking the books” (Jennings, 2008)

115



## Rationalizing Dilemmas Away:

- “Everybody else does it”
- “If we don’t do it, someone else will”
- “That’s the way it has always been done”
- “We’ll wait until the lawyers tell us it is wrong” or “The law doesn’t say we can’t do it”

116



## Rationalizing Dilemmas Away:

- “It really doesn’t hurt anyone”
- “The system is unfair”
- “It’s a gray area”
- “I was just following orders”
- “We all don’t share the same ethics”


117



## Benefits of Internal Control...


**A Well-designed & Well-functioning  
Internal Control System Can Help an  
Entity Achieve Its Performance and  
Profitability Targets**

118



**It Can  
Help Prevent  
Loss of Resources,  
Help Ensure Reliable  
Financial Reporting, and  
Help Ensure That the Entity  
Complies With Laws and Regulations**

119



**In Other Words,  
Internal Control Systems  
Can Help an Entity Get to Where  
It Wants to Go and Avoid Pitfalls  
and Surprises Along the Way**

120



## Best Practice Tips:

- Define employee theft
- Track fixed assets
- Background checks
- Surprise audits
- Anonymous reporting – tip line
- Checks and balances
- Monitoring of Internet activities
- Comprehensive policy regarding employee theft


121




## Limitations of Internal Control

- Not a cure all
- Suitability of objectives used in establishing IC system
- Cannot ensure entity's success or survival
- Cannot ensure entity will achieve operation, financial reporting, and compliance objectives
- Effectiveness limited by human judgment, hasty & faulty decision making
- External events beyond entity's control

122

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- System can breakdown due to misunderstandings, mistakes in judgment, or errors committed due to carelessness, distraction, or fatigue
  - Only as effective as the people who are responsible for its functioning
  - Collusion can result in control failure
  - Limited resources (cost/benefit)
    - excessive control is costly & counterproductive
    - too little control presents undue risk to entity

123



Everyone in an Organization Has Some Responsibility for Internal Control; However, **MANAGEMENT** Is Responsible!

124



## The Hot Ten!

10. Weak Internal Controls
9. Lack of or Poor Assessment of IC by Management
8. Personal Pressures
7. Environmental Changes
6. Audit Deficiencies
5. Inadequate, Limited, or Reduced Training Resources
4. Related Party Transactions
3. Management's Override of Internal Controls
2. Negative Work Environment – Poor Tone at the Top
1. Blind Trust

125



## Most Common Reason Fraud Occurs

**Blind Trust...One person** is given **complete control** of the financial process without any oversight or monitoring from the supervisor or department head.

(simply signing does not = oversight)

126

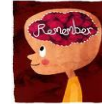
In a time of budget cuts be careful to consider the internal control impact.



127



TO



### Three Things To Remember...

...even if you forget most of what we've discussed today...

128

...the #1 deterrent to fraud is...

...the perception of detection....

raise this and you lower your risk of fraud.



129

#2 thing to remember...

...controls matter in deterring fraud and achieving success.

**You** are an educator for internal controls.

130

#3 thing to remember...

...the "Tone at the Top" (and middle) *really does matter*, but what you do matters more than what you say or a written policy.



131



### The Survivor



In Africa every morning, a gazelle awakens knowing it must outrun the fastest lion if it wants to stay alive.

Every morning, a lion awakens knowing it must run faster than the slowest gazelle or it will starve to death.

It makes no difference whether you are a lion or a gazelle; when the sun comes up, you better start running.

~Author Unknown~

132



## Questions?

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133