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## From the Chief Audit Officer

John M. Fuchko, III

I previously had the privilege of working with Bill Goodwin of the Goodwin-Wright agency (a North-western Mutual agency) in Atlanta, Georgia. Bill is a legend in the insurance industry and was a great mentor and leader to me during my tenure with his organization. Among other things, Bill emphasized the “power of the question” as a tool to engage minds, create motivation, and inspire action. In the truest form, auditors also learn by asking questions. In fact, one definition of auditor is “one that hears or listens.” A well-framed question allows both the speaker and listener to truly probe the substance of an issue versus talking over and around each other through statements of position or opinion.

It is the power of the question that we intend to harness as part of this publication going forward. Effective with our next issue, we are introducing a “Questions for Leaders” column. This column will address one or more topics in each issue. However, the column will focus less on offering advice on

### We have three strategic priorities :

1. Anticipate and help to prevent and mitigate significant USG GRCC issues.
2. Foster enduring cultural change that results in consistent and quality management of USG operations and GRCC practices.
3. Build and develop the OIAC team.

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# Georgia Student Finance Commission Compliance

by Richard M. Hawkshead

Editor's Note: We appreciate Richard Hawkshead's contribution to our newsletter. He is the Vice President of Internal Audit & Compliance for the Georgia Student Finance Commission.

## WHAT WE DO

The primary objective in performing a Compliance Review for post-secondary institutions that administer State Scholarship and Grant programs is to determine if the institutions have established and are following policies and procedures in compliance with the laws and regulations governing the State Scholarship and Grant Programs.

The GSFC Compliance Team's goals in conducting Compliance Reviews are to provide guidance to institutions in their on-going administration of the Scholarship and Grant programs, identify training needs for the institution being reviewed and also to try and identify any training needs that might exist for institutions as a whole for issues regarding the State Scholarship & Grant Programs. In performing Compliance Reviews, the Compliance Team is expected to review student files in a manner that is consistent between all institutions (p-8(e)6(n al)-8o-8(5(amT4783

## Georgia Student Finance Commission Compliance

cont'd by Richard M. Hawkshead

## 2007 Summary

Finding Type & Benchmarking Points*	# of Findings	Points	% of Findings per Type	% of Points per Type	# of Findings	Points	% of Findings per Type	% of Points per Type
Invoicing - 4	178	712	14.91%	25.96%	297	1188	22.33%	35.47%
GPA - 4	70	280	5.86%	10.21%	112	448	8.42%	13.38%



## Top 10 Management Practices by Diane Novak

1. Read all requests to spend college money before you sign them (check requests, travel expense vouchers, payroll time sheets, etc.) Never sign a document unless you have reviewed at least the most important information on that document. Satisfy yourself it is a wise use of taxpayer funds.
2. Develop written procedures for critical operations. These serve as a resource for current employees and a good training tool for new employees.
3. Develop measurable annual department goals based on your department's mission and strategic goals. Create an action plan to achieve goals and communicate to all employees.
4. Make sure each transaction has two people involved; one initiator and one approver. Separate these two duties to reduce the possibility of errors.
5. Print a procurement card report once a month, scan it for unusual transactions. Investigate anything that doesn't look right.
6. Deposit all cash and checks received daily with the coll



# The Fraud Hotline - A Self-Policing Tool

by Steve Rosenthal

The last nine years have made many in the business world stop and scratch their heads. Why you ask? Fraud is the answer. You can help control the tide.

Years before Enron's actual collapse, whistleblowers said something was not right. Yet, on that gloomy December morning, the nation's 7<sup>th</sup> largest company filed Chapter 11. The fallout did not stop there. Workers lost their jobs, 401k's and retirement accounts disappeared, and one of the nation's largest accounting firms ceased to exist.

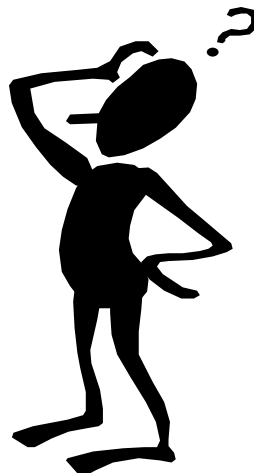
Yet again, in the last year, we've heard the names of Madoff, Scretre Generate, Satyam and others in the spotlight for fraud. A turbulent financial market, rising unemployment rates and furloughs contribute to the equation.

You may ask how this affects me. Higher education systems are not exempt from possible occurrences of fraud even with the best one of measures. To paraphrase one of my professors, even with the best controls in place, if someone wants to commit fraud they will always try to find a way!

There are no simple answers but we in the university community must report issues of fraud, waste and abuse. Reporting can be done a number of ways: by calling the toll-free hotline, submitting an online report, contacting the Office of Internal Audit and Compliance or seeking a your supervisor or department head for assistance. Remember, one can do this anonymously.

Here are a few examples of areas that could present a potential issue: not having proper controls in place in the purchasing departments; maybe it's with the recording of sick or personal days; or, it could involve improper or poor record keeping for grant funding. These are just a few examples. If each institution had one instance, what would it mean? If not reported in time, it means more money out of the budget, employees accumulating more time than actually earned or the inability to conduct research. One might think that one instance really isn't going to affect an institution. However, when looked at over the entire University System, the amounts are significant.

According to USG BPM 16.4, the Board of Regents is committed to preventing instances of fraud, waste and abuse and USG employees have a responsibility to report the fraud, waste and abuse. In order to facilitate reporting, the University System of Georgia has established an ethics and compliance hotline. However, a recent review of institution websites suggests some hotlines might be difficult to locate. In reviewing the schools making up the university system, less than ten had the link to the ethics hotline easily accessible from their homepage. We recommend including a hotline link on the home page of the institutions website, in the Human Resources content area, in the site map and in the Legal Affairs area as well. Making it easier for people to report instances allows for better controls. In turn, it makes for a better University System now and in the future.



## Top 10 Suggestions for Internal Controls &amp; Successful Business Operations

by Kevin Robinson



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.
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 University policies and procedures. Be willing to call and ask questions.
6. Consider unique risks your unit may have (e.g., cash collections, contracts and grants, etc.) and ensure additional oversight is provided.
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 University assets are used for University business (incidental personal use is allowed).

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M. Kevin Robinson CIA, CFE, CCEP  
Executive Director, Internal Auditing  
Auburn University





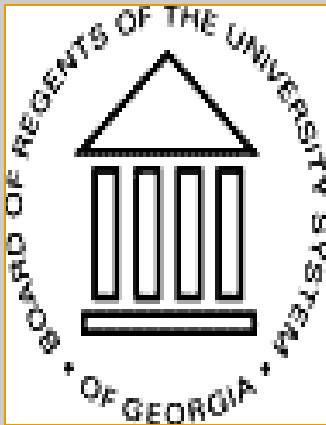
**Building Our Internal Audit Team** by Michael Foxman

Board of Regents of the  
University System of  
Georgia  
Office of Internal Audit &  
Compliance  
270 Washington Street, SW  
Atlanta, GA 30334-1450

Phone :  
(404)656-2237

Fax:  
(404) 463-0699

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[www.usg.edu](http://www.usg.edu)



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