

NBPC Team



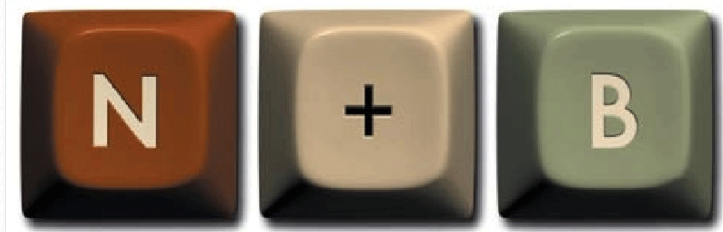
Bill Miller, CPA - CGMA



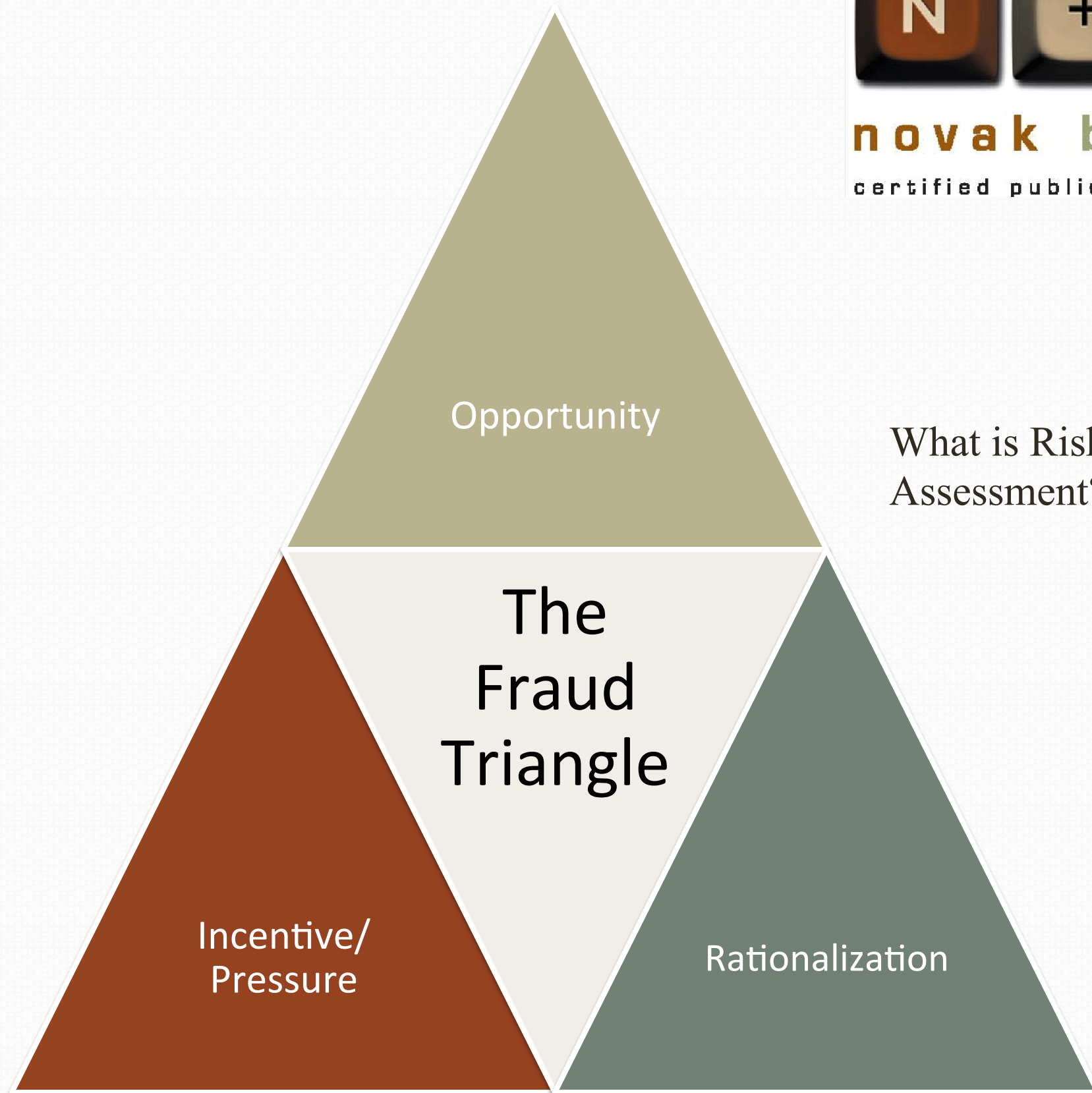
Rick Swearengin, CPA



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What is Risk Assessment?

Fraud Triangle



Incentive/Pressure

Why – When (Does not need to be apparent to others!)



Opportunity

Roles – Responsibilities (Trust Factor)

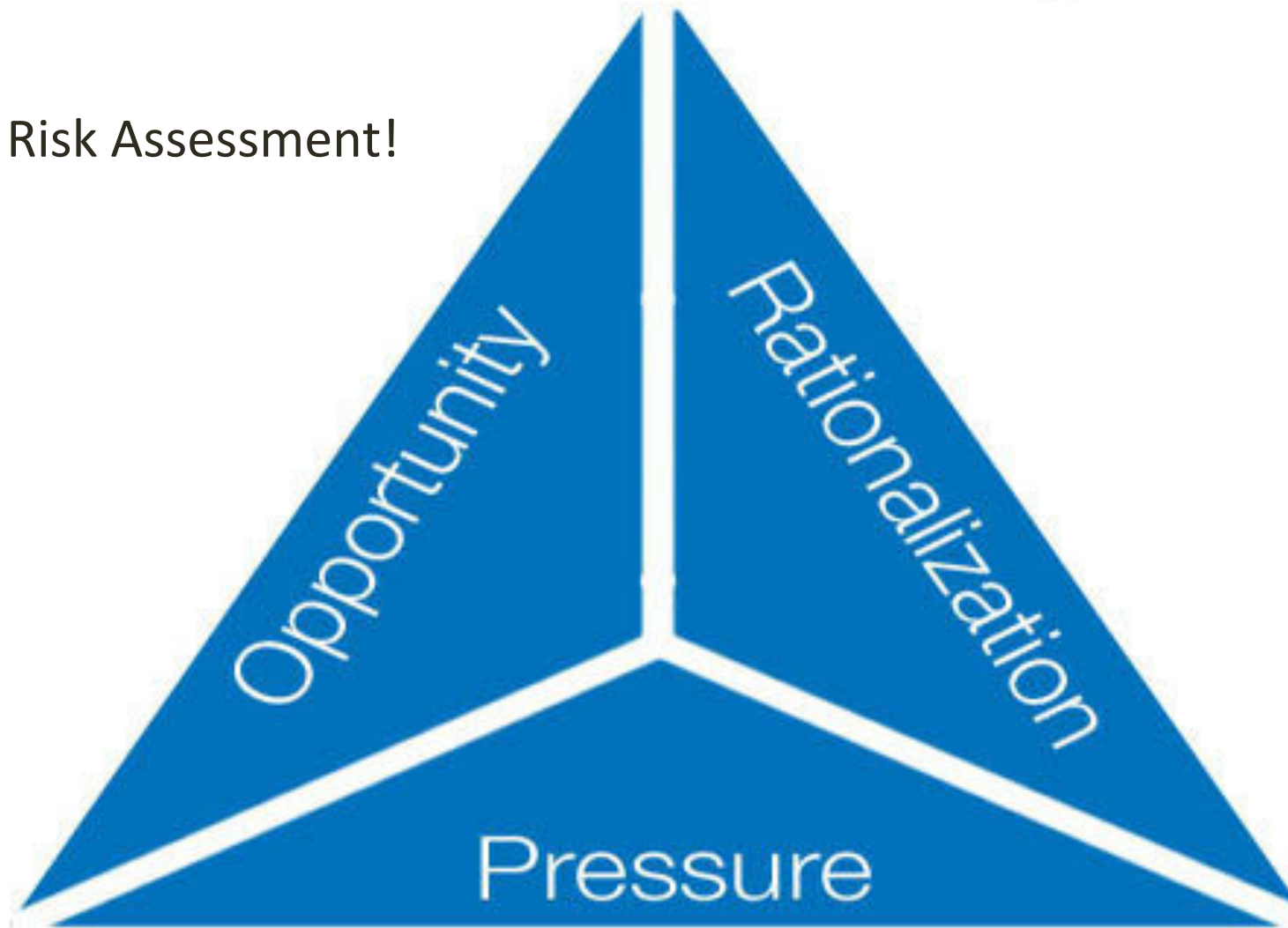


Rationalization

I have earned it!

The Fraud Triangle

Think – Risk Assessment!



Rationalization



- The reasoning behind committing fraudulent activity.
 - **Feeling Valued**
 - I'm Smarter
 - I can pay it back
 - They will never know
- Even long-term, happy employees can rationalize fraudulent acts. Stay vigilant!

Opportunity



- How much do we rely on TRUST?
 - Weakness in internal control structure
 - Requires constant Risk Assessment
 - The ***Key*** for any fraudulent act to occur. Pressure and rationalization alone is not enough.
- Monitoring/Reporting

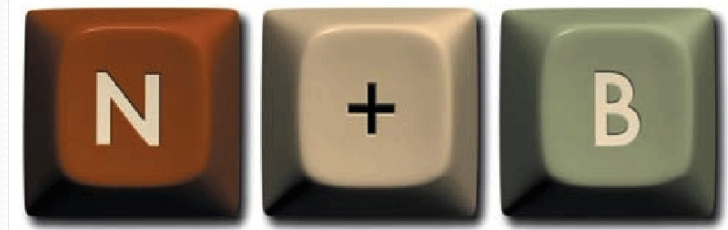
Incentive/Pressure



- Internal
 - Do they treat me fairly?
- External
 - Personal Financial Needs!
- Difficult to Detect!
 - Rationalize behavior

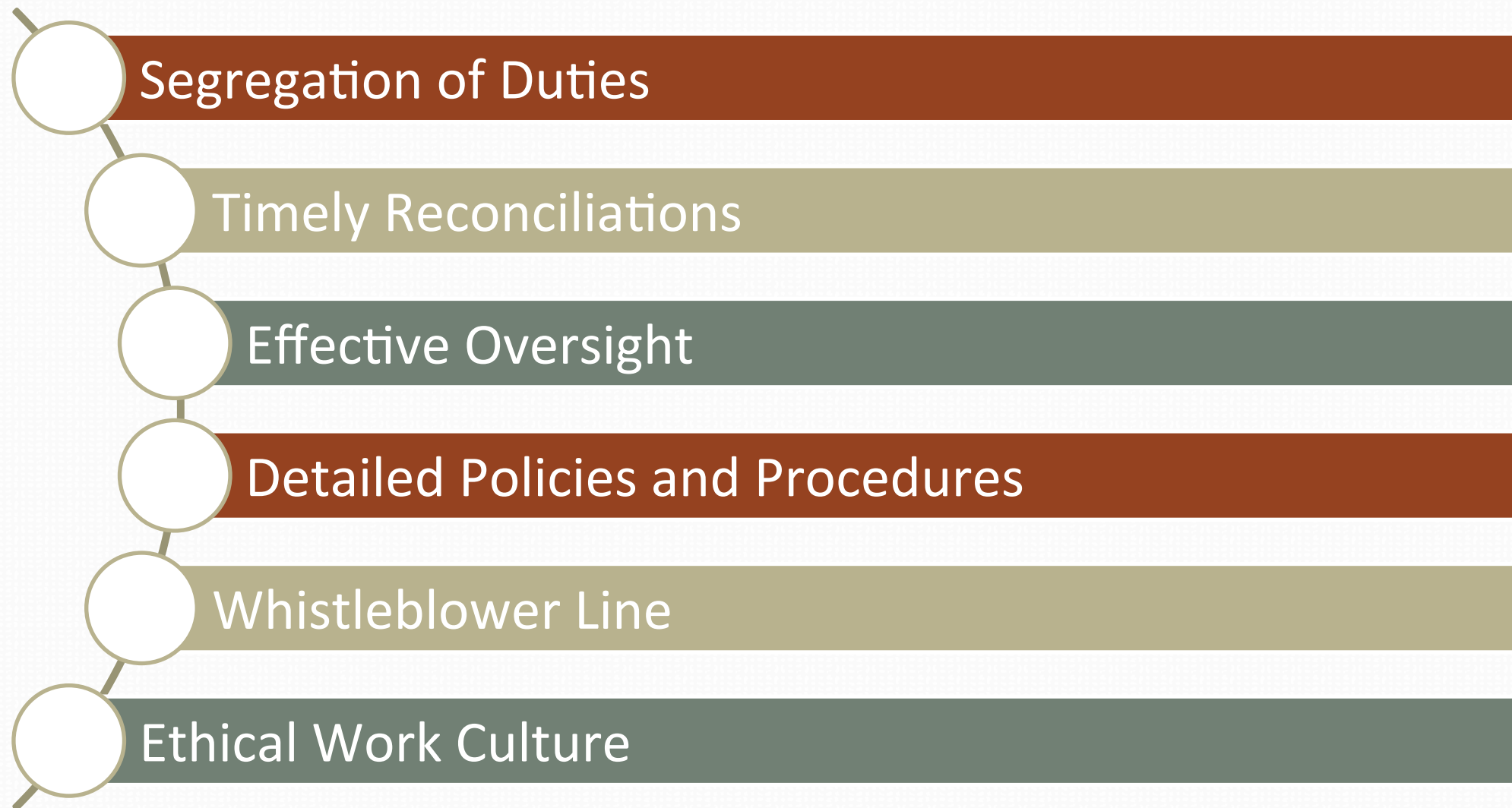
Can we control?

Controls Against Fraud



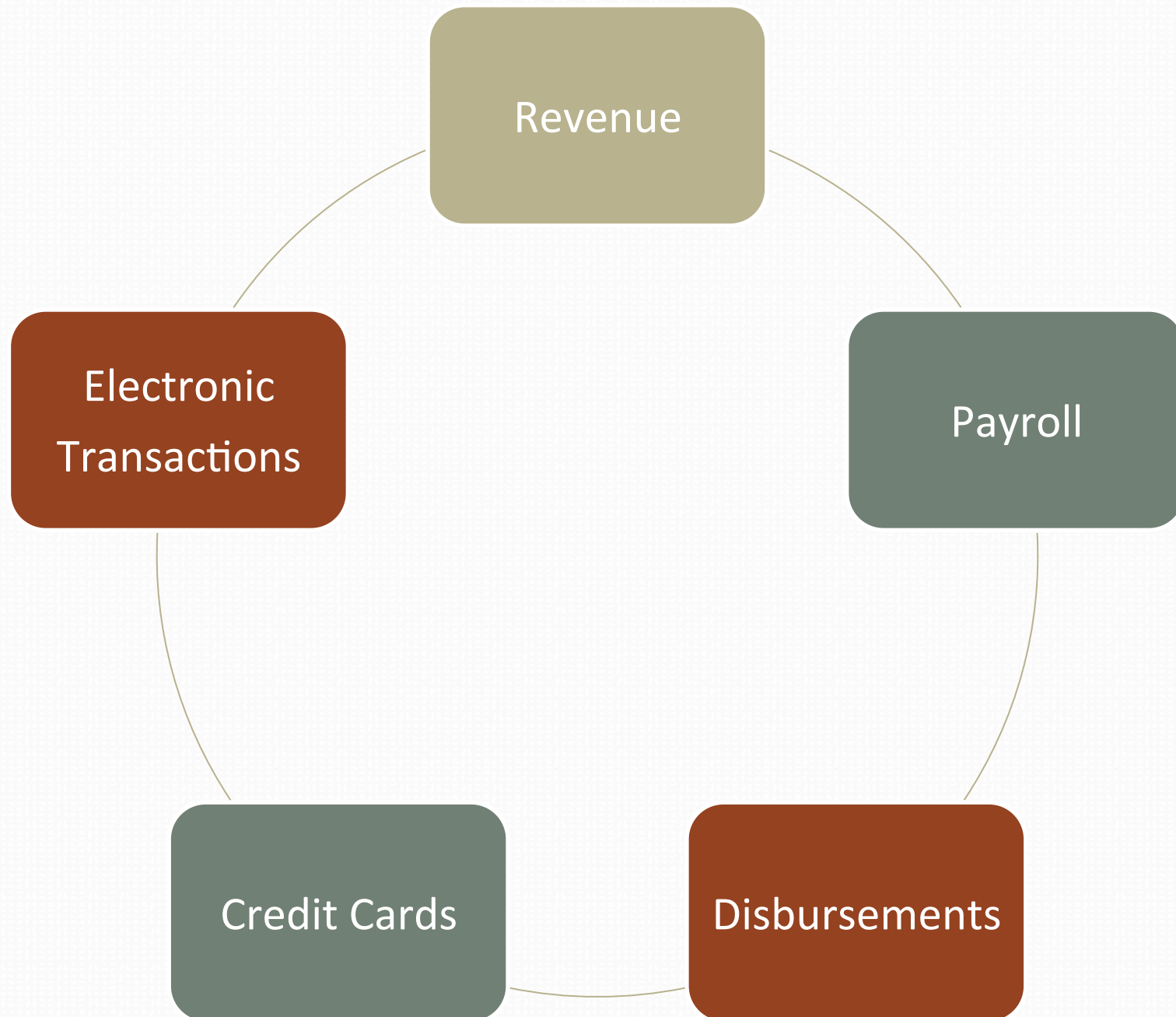
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PERFORM A RISK ASSESSMET



UPDATE POLICIES AND PROCEDURES - TRAINING

Risk Assessment



Risk Assessment



Revenue

Improper
revenue
recognition –
Limited in School
Districts

Misappropriation

Cash handling/
Activity Funds

Transfers – Trace to
Accounts

Controls: Segregation of duties; budget to actual comparison

Risk Assessment



PAYROLL RECONCILIATIONS ARE CRITICAL!

Payroll

Ghost -
Duplicated
employees

Unauthorized
pay
alterations

Falsified Time
Entry

Controls: Review and approval of pay runs; time clocks.

Risk Assessment



I/C regarding the Purchasing Process – is Critical

Disbursements

Ghost/
Duplicate
Vendors

Unauthorized
transactions

ACH
Payments -
Scheme

Controls: Review/approval of transactions, policies and procedures.

Risk Assessment



Periodic DOWNLOAD from processor – Search and Sort Gas, Liquor, Vendor Names

Credit Cards

Policies and
Procedures

Clear review
(rogue
employee)

External
unauthorized
transactions
(hackers)

Controls: Review/approval of transactions; reconciliations.

Risk Assessment



Electronic Transactions

Bank
Activity

1. Account listing
2. Activity traced to G/L

Revenue
Diverted –

Think
Rebates

Internal
unauthorized
transactions

– Think
Transfers

External
Unauthorized
transactions

Think Hackers

Controls: Review/approval of transactions; reconciliations.

Recap Top 5 Takeaways



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1. Perform Risk Assessments – Biggest Exposure “Never Ends”
2. Review/implement policies and procedures
3. Train on Policies and Procedures – Activity Funds?
4. Bank accounts -
 - How many * who reconciles * who reviews
5. Payroll
 - Request and monitor
 - Add/change/deletes/JE's
 - Payroll – to Excel? Scan for duplicates or unusual activity
6. Credit cards
 - Policy – download in Excel to review

What If I Have Fraud Concerns



- STOP and document.
- Communicate with senior management!
- Do not try to measure – try to develop a scope!
 - The initial extent is generally low – sometimes real low
- Retain records – secure critical information
 - The primary objective of the person committing the fraud is to remove the information/data
- Retain and communicate with counsel/authorities
- Refer all requests to appropriate parties

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We appreciate the opportunity to present on
Fraud and Risk Assessment

