



# MONTHLY BUSINESS MANAGERS' MEETING

“RECOGNIZING & REPORTING FRAUD”  
“ACCOUNT RECONCILIATION”

Tuesday, June 7, 2011

9:30 am – 11:00 am

225 Peabody Hall

*Presented by Accounting Services*

# Announcements

- No meetings in July & August due to yearend
- Topics for Future Business Managers' Meetings
  - Long Distance Charges & Cell Phone Certification
  - Leave Certification Requirements
  - Payroll Records
  - Alternate Work Schedules
- Launch of Business Manager Toolkit
  - June 8<sup>th</sup> from 12:30 – 4:00 pm in 225 Peabody Hall
  - Register through HRM Training Programs in PAWS



# Recognizing and Reporting Fraud

*Larry Butcher*

Bursar/Director

Bursar Operations

# Fraud



Act or course of deception, an intentional concealment, omission, or perversion of truth by individual(s) inside or outside the organization for their personal benefit or to benefit the organization.

# A Real Life Example

## University fires 3 after finding \$275,000

Three University of South Florida officials were fired after the school discovered \$275,000 in misplaced checks and cash scattered throughout an office. Nearly half the money at the school's English Language Institute — \$133,647 — was in the form of checks up to 10 years old and could not be deposited, university spokeswoman Michelle Carlyon said.

The money was found Dec. 21 inside desks and underneath books and office machines, among other places, Carlyon said. The discovery came about a month after a state audit of the university found lax financial controls. On Friday, the financial council reviewing the state audit recommended reducing the number of departments that collect money and training workers to keep better financial records.

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By John Bacon with staff and wire reports



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# Types of Fraud



- Misappropriation of funds
- Time and effort
- Misuse of resources
- Influence

# Common Myths

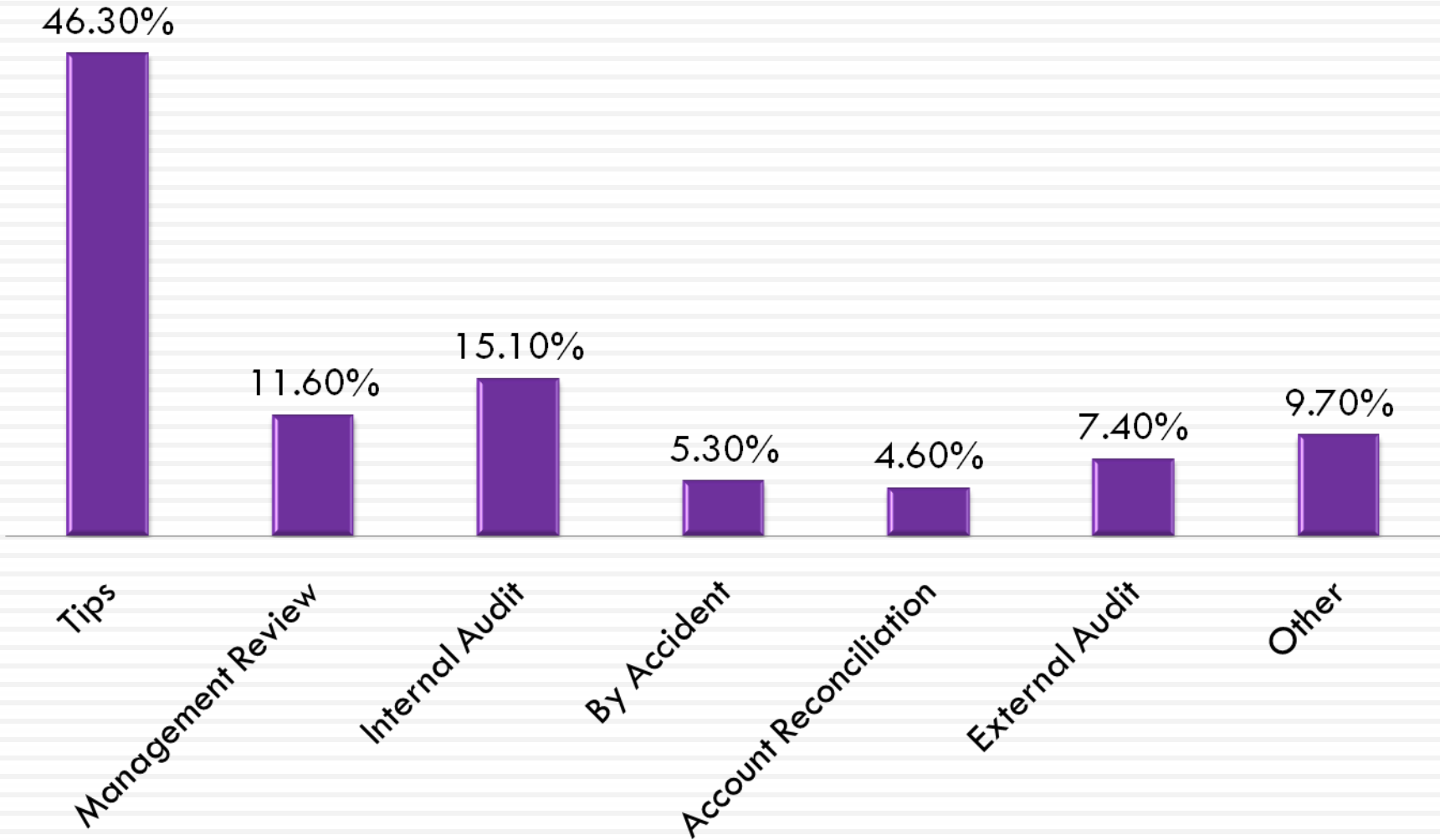


Audits will detect all fraud

All employees are trustworthy

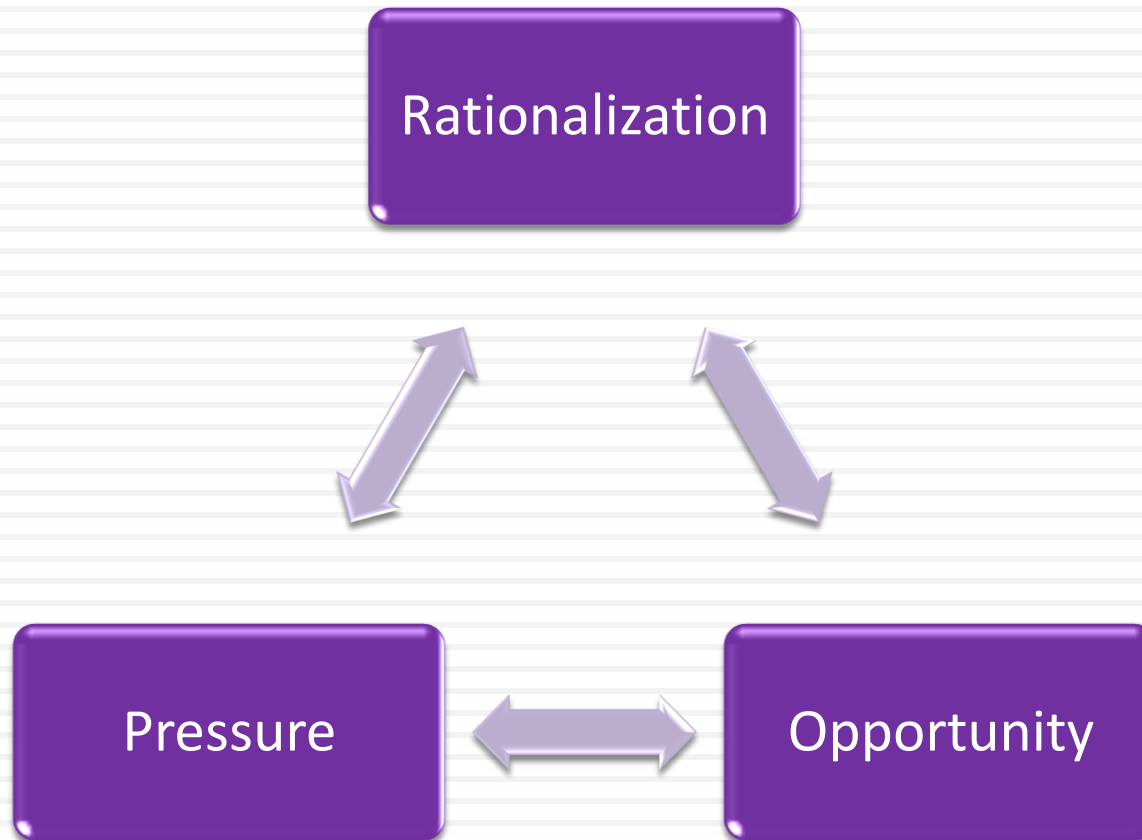


# Initial Fraud Detection





# The Fraud Triangle



**Employees who commit fraud generally are able to do so because there is opportunity, pressure, and a rationalization.**

# Climate for Fraud

## Individual

- Personal habits
- Life events
- Attitude of entitlement
- Morale
- Uncertainty
- Competition
- Opportunity

## Organizational

- Decentralization
- Understaffing
- Lack of pay increases
- Belief that all staff are honest
- Uncertainty

# Individual Profile

- Likely to be married
- Member of a church
- Educated beyond high school
- No arrest record
- Age range from teens to over 60
- Socially conforming
- Employment tenure from 1 to 20 years
- Acts alone 70% of the time

# Organizational Profile

- Delegation of too much authority and/or responsibility to one individual
- Lack of financial activity reconciliation
- Inappropriate signature authority

**The trusted employee has the highest risk**

They are given the *responsibility, authority, and independence* that creates the opportunity for fraud

# Controlling Fraud

**Internal controls** – accounting and administrative practices established and maintained by management to provide reasonable assurance that organizational objectives are being met.

- Reconciliation
- Segregation of duties
- Appropriate system access
- Awareness of the areas where fraud can occur

***Create an environment where employees believe that dishonest acts will be detected and not tolerated***

# What do I do if I suspect fraud?

- ! Work within your management chain of command
- ! DO NOT confront the suspected perpetrator or investigate the case yourself

## **Louisiana Whistleblower Protection for Public Employees**

Freedom from Reprisal for Disclosure of Improper Acts - R.S. 42:1169

# What's to come?



- LSU Fraud Policy
- Anonymous Tip Hotline

# Questions





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Reconciliation

Requirements/Recommendations

*Elahe N. Russell*

Director

Financial Accounting & Reporting

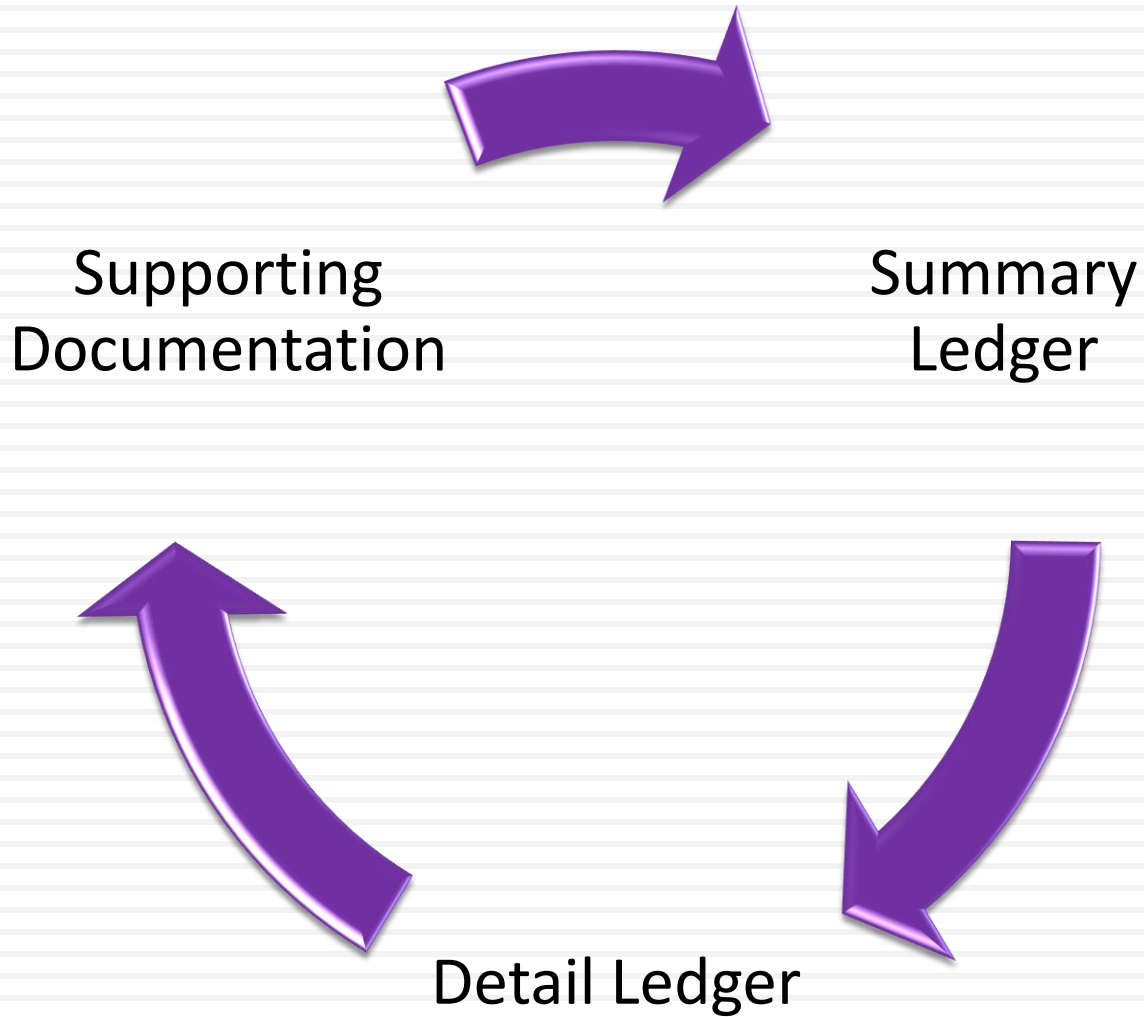
# Ledgers

- Mechanism to provide departments information regarding financial operations
- “Reconciling” is the process of ensuring the information on the ledgers is accurate and reliable

# Reconciliation

- Perform on a **monthly** basis
- Reconciliations with supporting documentation should be maintained according to an established record retention policy
- Transactions must be:
  - Appropriate
  - Valid
  - Reasonable
  - Funded
  - Accurately recorded
  - Supportable
  - Recorded timely

# Reconciliation



# Supporting Documentation

- A file should be maintained of all supporting documentation
- As supporting documentation is reconciled to the ledger, it should be “checked off” and filed as “cleared”
- Items that remain in the supporting documentation file for more than one month that have not been recorded on the ledger must be investigated
- Transactions recorded on the ledger for which there is no supporting documentation must be investigated

# Reporting Tools

- University Subsidiary Summary Ledger
- University Subsidiary Detail Ledger
- University Overdrawn Accounts
- Outstanding Order Summary
- Payroll Distribution Report
- Accounts Receivable Transaction Activity Report

# Reconciliation Checklist

- ✓ Review changes in budget
- ✓ Verify revenues
- ✓ Monitor encumbrance balances
- ✓ Ensure account is not in an overdraft status
- ✓ Review tentative transactions
- ✓ Match supporting documentation to detail transactions on ledger
- ✓ Reconcile supporting documentation to identify items that have not yet hit the ledger
- ✓ Investigate/correct errors
- ✓ **Look beyond the transaction**

# LaCarte Example

## Department Supporting Documentation

<b>STAPLES</b>		6400 Hollister Houston TX 77060 USA Tel: (800) 511-3142 Fax: (000) 511-3143	Order # <b>24189259001</b>	Order Date 03/21/11	Account # 11977481	Order Contact Maria Cazes	Phone # (225) 578-2016				
Order ID# 24189259001			Invoice Order # 299256289	Order Method 1-EWAY	Account Location TENA M TAYLOR						
Barcode			LOCN: ACCTG SVCS ACCTG SVCS		204 32140		03/22/11 04:06				
LOUISIANA STATE UNIVERSITY 204 THOMAS BOYD HALL BATON ROUGE LA 708030001 USA				Maria Cazes LOUISIANA STATE UNIVERSITY 204 THOMAS BOYD HALL BATON ROUGE LA 708030001 USA							
<b>PRICED PACK LIST</b>											
Page 1 of 1											
Carton #	Line #	Product #	Customer Product #	Item Description	Qty	Ordered	Shipped	Backorder	Unit Price	Extended Price	
	1	STPS5351		PEN,SONIX,GEL,MEDIUM POINT,BLUE ✓	DZ	1	1	0	\$3.24	\$3.24	
		* stock									
	2	MMS810P10K	797	TAPE,SCOTCH 3/4"X1000, 10/PACK ✓	PK	5	3	0	\$15.25	\$45.75	
		* stock									
	3	SAN0001	443	MRKR,SHARPIE,PERMANENT, FINE,BLACK,EACH ✓	DZ	1	1	0	\$6.12	\$6.12	
		* stock									
	4	80FS0483		TOOL,TAPE MEASURE,1/2", 12' YW	EA	1	0	1			
		This item normally ships within 3 business days.									
	5	QUA37555		ENVL,CLIP,6X9,500/CT	CT	1	0	1			
		This item normally ships within 3 business days.									
	6	DYMSF5		SCALE,POSTAL,DIGITAL, 5L.B,USES 9V BATTERY,GY ✓	EA	1	1	0	\$39.43	\$39.43	
		* hu easy ship									
	7	RAYA16042D		BATTERY,9V,2/PK	PK	1	0	1			
		This item normally ships within 3 business days.									
									PRODUCT	\$94.54	
									TAX	\$0.00	
									<b>TOTAL DUE</b>	<b>\$94.54</b>	

Invoice total  
of \$94.54

**THANK YOU for your order - We appreciate your business!**  
If this order does not meet your expectations, contact Customer Service at (800) 511-3142.  
Please keep this document for 30 days, as it contains information necessary to expedite returning merchandise.  
For Terms and Conditions, please refer to your printed or online catalog.



# LaCarte Example

LOUISIANA STATE UNIVERSITY  
 SUBSIDIARY DETAIL LEDGER  
 FOR PERIOD 03/01/2011 TO 03/31/2011

184350500-ACCOUNTING SERVICES

ACCOUNT	CAT	SUM OBJ	OBJ CODE DESCRIPTION	OBJ CODE	TRANSACTION DESCRIPTION	EFFECTIVE DATE	ENTRY NBR LINE NBR	ENT STAT	VOUCHER TYPE-NBR	SOURCE DOCUMENT	PROJCT	BUDGET	REVENUE EXPENDITURE	ENCUMBERED
184350500	EXP	4000	OFFICE SUPPLIES	4100	CP 030111 OFFICE DEPOT #1127	20110304	00108025-0001	C	MC- 50	CP-9510	0	0.00	499.99	0.00
			OFFICE SUPPLIES	4100	CP 030311 STAPLESCONTRACTCOMMERCIAL	20110311	00110633-0001	C	MC- 52	CP-9510	0	0.00	257.51	0.00
			OFFICE SUPPLIES	4100	CP 030411 STAPLESCONTRACTCOMMERCIAL	20110311	00110633-0002	C	MC- 52	CP-9510	0	0.00	49.11	0.00
			OFFICE SUPPLIES	4100	CP 030411 STAPLESCONTRACTCOMMERCIAL	20110311	00110633-0003	C	MC- 52	CP-9510	0	0.00	21.90	0.00
			OFFICE SUPPLIES	4100	CP 013111 OFFICE AUTOMATION	20110316	00094781-0001	C	MC- 43	CP-9510	0	0.00	467.70	0.00
			OFFICE SUPPLIES	4100	CP 020111 WALMART.COM	20110316	00094781-0002	C	MC- 43	CP-9510	0	0.00	1,126.95	0.00
			OFFICE SUPPLIES	4100	CP 020211 STAPLESCONTRACTCOMMERCIAL	20110316	00094781-0003	C	MC- 43	CP-9510	0	0.00	483.14	0.00
			OFFICE SUPPLIES	4100	CP 021111 OFFICE DEPOT #1127	20110316	00101051-0001	C	MC- 46	CP-9510	0	0.00	1,359.98	0.00
			OFFICE SUPPLIES	4100	CP 031511 STAPLESCONTRACTCOMMERCIAL	20110318	00113813-0001	C	MC- 53	CP-9510	0	0.00	-20.05	0.00
			OFFICE SUPPLIES	4100	CP 031511 STAPLESCONTRACTCOMMERCIAL	20110318	00113813-0002	C	MC- 53	CP-9510	0	0.00	-15.63	0.00
			OFFICE SUPPLIES	4100	CP 031611 STAPLESCONTRACTCOMMERCIAL	20110318	00113813-0003	C	MC- 53	CP-9510	0	0.00	85.59	0.00
			OFFICE SUPPLIES	4100	CP 031811 STAPLESCONTRACTCOMMERCIAL	20110325	00117112-0001	C	MC- 55	CP-9510	0	0.00	349.37	0.00
			OFFICE SUPPLIES	4100	CP 032211 STAPLESCONTRACTCOMMERCIAL	20110325	00117112-0003	C	MC- 55	CP-9510	0	0.00	94.54	0.00
			OFFICE SUPPLIES	4100	CP 032311 STAPLESCONTRACTCOMMERCIAL	20110325	00117112-0004	C	MC- 55	CP-9510	0	0.00	62.16	0.00
			OFFICE SUPPLIES	4100	CP 032311 STAPLESCONTRACTCOMMERCIAL	20110325	00117112-0005	C	MC- 55	CP-9510	0	0.00	7.86	0.00
184350500	EXP	4000										0.00	4,820.12	0.00
184350500	EXP											0.00	4,820.12	0.00

Reconciliation to  
 ledger



# Payroll Example

## Hours worked on student timesheet should be reconciled to ETA



Louisiana State University  
Office of Accounting Services  
Payroll  
204 Thomas Boyd Hall

Print Form

### BIWEEKLY TIMESHEET

AS107

This timesheet should be processed according to the LSU payroll schedule for student and contingent employees.

Employee (Last, First, MI)	Student Name		
LSU ID (LSU ID)	Account #	0500	
Pay Period (2 weeks)	Start	2/7/11	
	End	2/18/11	
Week 1	12.5	Week 2	14.5
Total	27		

WEEK 1			
Day	Date	Time(s)	Hours
Sat			
Sun			
Mon	2/7	9-1	4
Tue	2/8	9-12	3
Wed	2/9	9-1:30	4.5
Thu	2/10	9-10	1
Fri	2/11		
Week 1 Hours:			12.5

WEEK 2			
Day	Date	Time(s)	Hours
Sat			
Sun			
Mon	2/14	9-1:30	4.5
Tue	2/15	9-12	3
Wed	2/16	9:30-1:30	4
Thu	2/17	9-12	3
Fri	2/18		
Week 2 Hours:			14.5

Time(s) - actual time should be listed. Example - 8:30 am - 10:30 am; Hours - should be listed as decimals. Example - 2 1/2 hours is 2.5

I certify that I was present and worked during the hours indicated above.

Student Signature \_\_\_\_\_ Date 2/18/11

I certify that this student has performed satisfactory work for the hours represented on this timesheet.

Supervisor Signature \_\_\_\_\_ Date 2/18/11

Accounting Information:	
Total Hours	27
Hourly Rate	
Total Earned	

If paid from Work Study, Chancellor's Aide, or grant account:	
Balance Forward	
Bi-weekly Allocation	
New Balance	

Rev 08/07

ETAJES9B Louisiana State University Time Sheet Voucher 08527 Page: 1  
02/21/2011 Pay Period 02/05/2011 Thru 02/18/2011  
Account Title: 184350500 ACCOUNTING SERVICES

Name	Init	LSU ID	Wrk 1	Lve 1	Hol 1	Pre 1	Och 1	Cp 1	Cf 1
Meals	Term Date	Pay Rate	Wrk 2	Lve 2	Hol 2	Pre 2	Och 2	Cp 2	Cf 2
Student Name		LSU ID	12.50	.00	.00	.00	.00	.00	.00
		\$7.25	14.50	.00	.00	.00	.00	.00	.00

Hours on ETA must match timesheet. Hourly rate x total hours should equal ledger and Payroll Distribution Report.

ACCT	TOT REC CT	1 OT HRS	.00 MEALS	\$ .00
TOTALS	EMPL TRANS	1 PR HRS	.00 CP HRS	.00
	HRS (REG + OVT)	27.00 OC HRS	.00 CF HRS	.00
	HRS (LVE + HOL)	.00		

(FOR PAYROLL OFFICE USE) RELEASE: *AS* VOUCHER 08527

I CONFIRM THAT I HAVE FIRST-HAND KNOWLEDGE OF THE WORK PERFORMED BY THE ABOVE EMPLOYEES AND THAT THE ABOVE IS AN ACCURATE REPRESENTATION OF THE WORK PERFORMED DURING THE STATED PERIOD.  
(PLEASE SIGN IN BLUE INK AND PRINT NAME BELOW SIGNATURE.)

Supervisor Signature \_\_\_\_\_  
SUPERVISOR \_\_\_\_\_ PHONE \_\_\_\_\_ DATE \_\_\_\_\_ APPROVED \_\_\_\_\_ PHONE \_\_\_\_\_ DATE \_\_\_\_\_  
PAYROLL CONTACT \_\_\_\_\_ PHONE \_\_\_\_\_  
PERSON SIGNATURE \_\_\_\_\_ PRINTED NAME \_\_\_\_\_ PHONE \_\_\_\_\_ DATE \_\_\_\_\_

# Payroll Example

## Detail Ledger

LOUISIANA STATE UNIVERSITY  
 SUBSIDIARY DETAIL LEDGER  
 FOR PERIOD 02/01/2011 TO 02/28/2011

184350500-ACCOUNTING SERVICES

ACCOUNT	CAT	SUM OBJ	OBJ CODE DESCRIPTION	OBJ CODE	TRANSACTION DESCRIPTION	EFFECTIVE DATE	ENTRY NBR LINE NBR	ENT STAT	VOUCHER TYPE-NBR	SOURCE DOCUMENT	PROJECT	BUDGET	REVENUE EXPENDITURE	ENCUMBERED
184350500	EXP	1240	STUDENT COMP - REGULAR	1240	08503 - TRANSFER VOUCHER	20110217	00100092-0001	C	PR- 197	PR-08503	0	0.00	193.15	0.00
			STUDENT COMP - REGULAR	1240	08527 - STUDENTS PAY	20110222	00102495-0005	C	PR- 202	PR-08527	0	0.00	195.75	0.00
184350500	EXP	1240										0.00	388.90	0.00
184350500	EXP											0.00	388.90	0.00

SAS Output

## Payroll Distribution Report

Page 1 of 1

LOUISIANA STATE UNIVERSITY  
 PAYROLL DISTRIBUTION  
 FOR 2011

184350500-ACCOUNTING SERVICES

ACCOUNT	OBJECT	NAME	LSUID	VOUCHER	GROSS AMOUNT
184350500	1240	[REDACTED]	[REDACTED]	201108527	195.75
184350500	1240	[REDACTED]	[REDACTED]		195.75
184350500	1240				195.75
184350500					195.75

# Scholarship/Exemption Example

LOUISIANA STATE UNIVERSITY  
SUBSIDIARY DETAIL LEDGER  
FOR PERIOD 03/01/2011 TO 03/31/2011

115605700-U S DEPT OF EDUCATION  
Expire Date = 08/15/2011

Bill Type=CR  
F&A Cost = /0.0000 Fringe Ben = G/0.3300

ACCOUNT	CAT	SUM OBJ	OBJ CODE DESCRIPTION	OBJ CODE	TRANSACTION DESCRIPTION	EFFECTIVE DATE	ENTRY NBR LINE NBR	ENT STAT	VOUCHER TYPE-NBR	SOURCE DOCUMENT	PROJECT	BUDGET	REVENUE EXPENDITURE	ENCUMBERED
115605700	EXP	6000	GRADUATE FELLOWSHIPS	6630	FELO 0 B210 20110330 FAD5001	20110330	00119223-0087	C	TS- 3458	CR-033011	0	0.00	5,194.08	0.00
115605700	EXP	6000										0.00	5,194.08	0.00
115605700	EXP											0.00	5,194.08	0.00

## Treasurer Information System Transaction Activity Report

TRANSACTION	ACCOUNT	DESCRIPTION	TERM	LSUID	NAME	MONTHLY ACTIVITY	TRX DATE	ENTRY NBR	OBJECT
B210	11560-5700	Grad Asst/Areas of Natl Need	2S/2011	██████████	████████████████████	1,627.07	20110330	0	6630
	11560-5700	Grad Asst/Areas of Natl Need		██████████	████████████████████	1,424.47	20110330	0	6630
	11560-5700	Grad Asst/Areas of Natl Need		██████████	████████████████████	804.60	20110330	0	6630
	11560-5700	Grad Asst/Areas of Natl Need		██████████	████████████████████	1,337.94	20110330	0	6630
<b>B210</b>			<b>2S/2011</b>			<b>5,194.08</b>			
<b>B210</b>						<b>5,194.08</b>			

★ The Transaction Activity Report must be reconciled to the ledger and the department's list of students who should receive the awards.

# Record Retention

Account Type	Minimum Retention Requirement
Unrestricted, Auxiliary, Restricted (non-sponsored agreements)	1 complete fiscal year prior to current year
Sponsored Agreement	3 years after the final financial report is accepted by the sponsor
Plant Accounts	1 year after the project is complete
University Endowment, Foundation	Deposits and supporting documentation relative to donor restrictions should be maintained for as long as account exists. 1 complete fiscal year prior to current year for disbursement records.

# Segregation of Duties



A control policy to divide responsibilities within an organization in order to reduce the potential of fraud or theft by ensuring that an employee is not responsible for more than one related function.

# ABC's of Segregation of Duties

**No individual should be assigned job functions in more than one of the following three categories:**

## **Asset Handling and Disposition**

- Physical access to University assets or being in a position to control where an asset is directed
- Purchasing coordinators, timekeepers, equipment managers
- Assets include cash, tickets, LaCarte cards, supplies, equipment, purchase orders, etc.



# ABC's of Segregation of Duties

## Booking or Recording Transactions

- Recording or processing a financial transaction in GLS
- Approving PO invoices, direct charge invoices, journal vouchers, procurement card entries, deposit entries

## Comparison or Review of Transactions

- Reviewing transactions for validity and reasonableness and comparing them to departmental supporting documentation
- The “reconciler” of the account

### ***Important Reminder***

Departments should not only look at duties, but should also evaluate an employee's Security Access to perform duties



# Where do I begin?

- GLS Manual
- Locate and review or create departmental policies and procedures
- Update for system changes and segregation of duties
- Send to Accounting Services for review

# Questions



Office of Accounting Services  
Financial Accounting & Reporting



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