



TEXAS TECH UNIVERSITY SYSTEM™

# Risk, Controls, and Cash

Presented by the Office of Audit Services for  
TEXAS TECH UNIVERSITY



# Risk, Controls, and Cash

## Objectives:

- Define risk
- Discuss fraud and its indicators
- Define internal controls and the need to balance risk and controls
- Provide participants with key control activities to put into practice
- Discuss accountability and delegation of authority
- Discuss specific controls related to cash handling and depositing



The possibility that an organization will NOT:

- achieve its goals
- operate effectively and efficiently
- protect itself from loss
- provide reliable financial data
- comply with laws and defined policies



# What is Fraud?

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

The Association of Certified Fraud Examiners

The American Institute of Certified Public Accountants

The Institute of Internal Auditors



# Regents' Rules 07.03, *Fraud Policy*

The definition of fraud includes:

- An intentional or deliberate act;
- Depriving the TTU system or a person of something of value or gaining an unfair benefit; and
- Using deception, false suggestions, suppression of truth, or other unfair means which are believed and relied upon.

Fraudulent activity of any kind, including for the benefit of the TTU system, is expressly prohibited.



# Fraud Fast Facts

- Annual estimated fraud losses: \$2.9 Trillion globally
- Most fraudsters are first-time offenders
- Amount of fraud is directly related to fraudster's positions in the organization
- Most frauds are detected by tips
- Deterrence is key

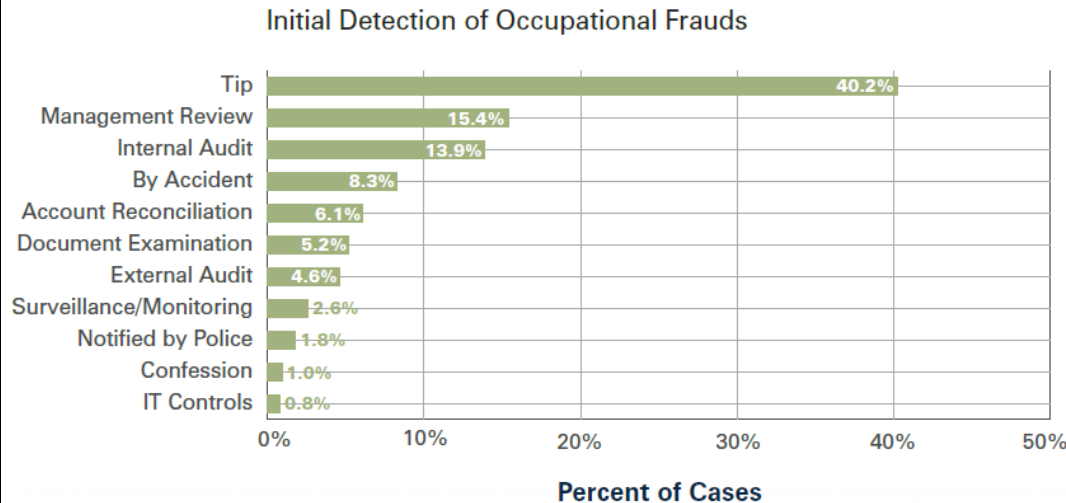
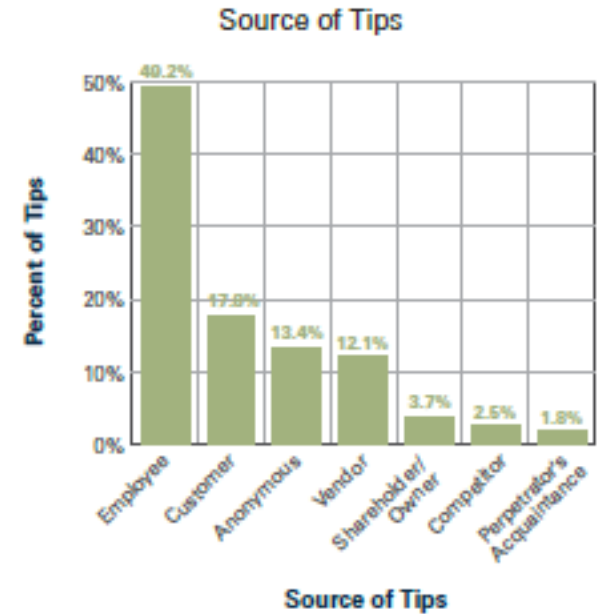
Source: ACFE's 2010 Report to the Nations on Occupational Fraud and Abuse



## Fraud Facts:

- In 2010 over 55% of fraud cases were discovered by tips or during routine reviews by management.

You are Texas Tech's greatest resource!





# Fraud Triangle Video







# Fraud Triangle

**Opportunity**

**Fraud**

**Triangle**

**Non-sharable  
Financial Problems**

**Rationalization**



# “Red Flags” of Fraud

- No vacation
- Voluntary overtime
- Unexplained variances
- Complaints
- No reconciliation
- One employee “does it all”
- Documentation is not original
- “Rush” requests





# Compliance Hotline

To Report Fraud, Waste, or Abuse:

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

[www.ethicspoint.com](http://www.ethicspoint.com)



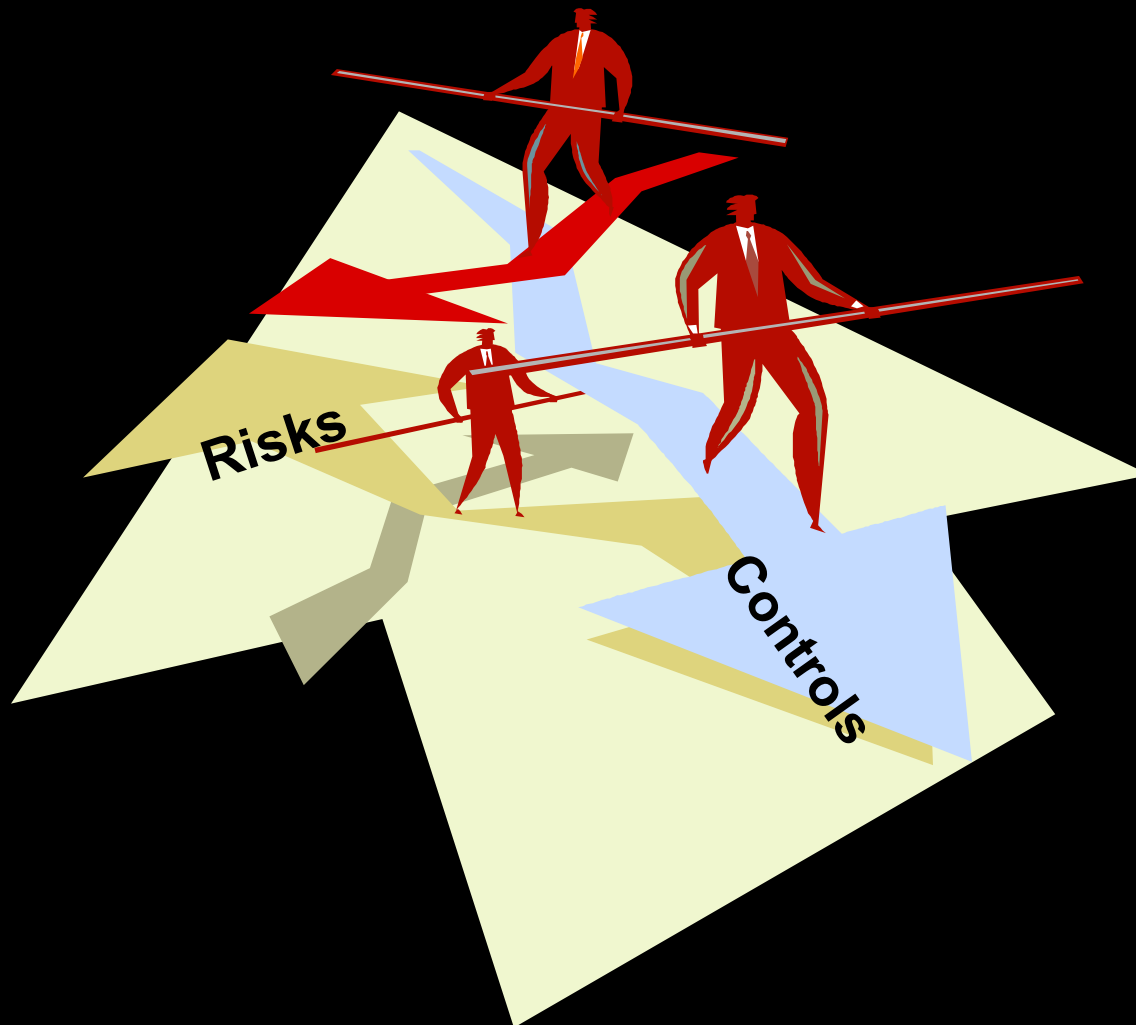
# Internal Controls

Processes that provide **REASONABLE ASSURANCE** regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Accomplishment of established goals and objectives
- Compliance with the laws and regulations



# It's a Balancing Act!



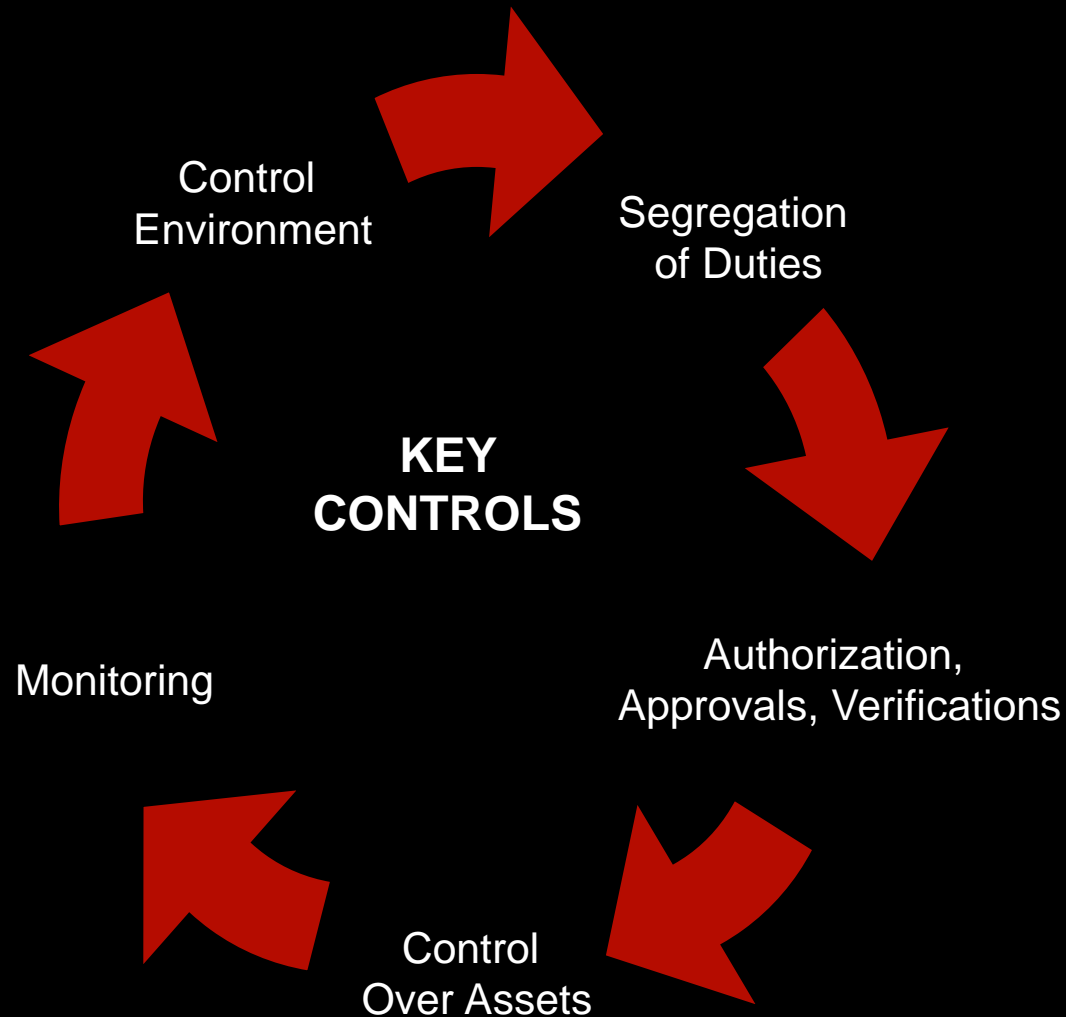


# Internal Controls

- Reasonable Assurance
- **TRUST IS NOT A CONTROL**
- Two types of internal controls
  - Preventive Controls
  - Detective Controls



# 5 Key Control Activities





# Control Conscious Environment



- Integrity and Ethics
- Commitment to competence
- Leadership's philosophy
- Organizational Structure





# Segregation of Duties

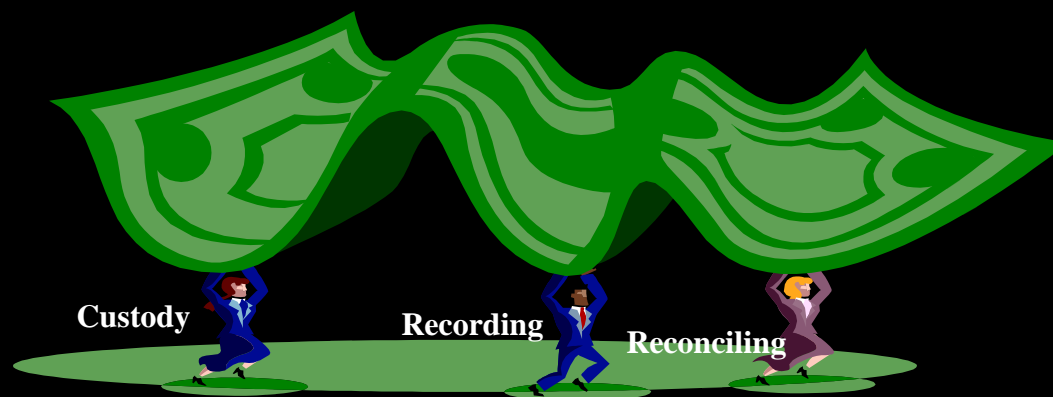
- Segregation of duties is a preventive control that aids in the timely detection of errors and irregularities in the normal course of business.
- Functions are divided so that no one person has control over all parts of a transaction.
  - No “touching”
- Internal written policies are a must





# Functions To Be Separated

- Custody of assets
- Recording of transactions
- Reconciling of transactions



# Authorizations, Approvals, & Verifications



- Limit authorization authority
- “Rubber Stamping”
- Secure access to electronic signatures or other signatory devices
- **NEVER, NEVER, NEVER** sign a blank form
- Develop written procedures outlining delegation guidelines



# Asset Control Activities



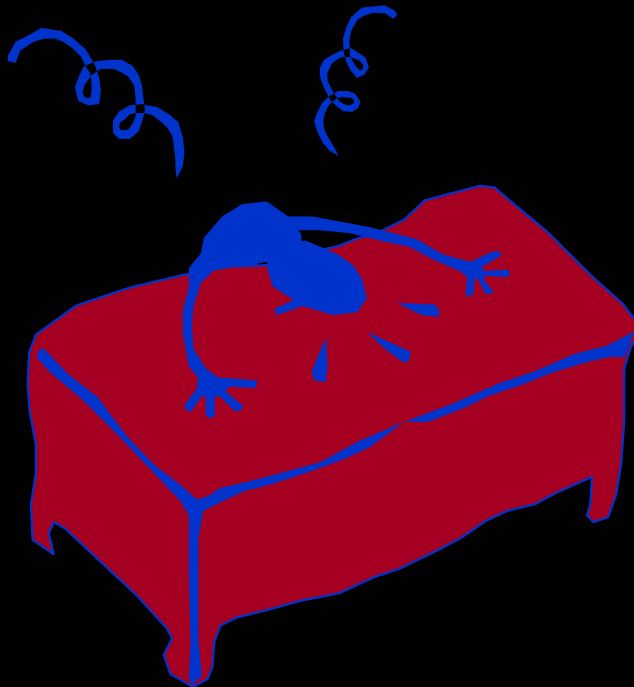
- Periodic asset counts
- Periodic comparisons
- Investigation of discrepancies
- Physical safeguards against theft and fire





# Monitoring

Monitoring is a detective control that aids in identifying losses, errors or irregularities.



# Financial Managers



## Responsibilities:

- Fiduciary responsibility for the financial and operational management of the funds and organizations for which they are assigned
- Billing and collecting revenue and ensuring compliance
- Proper account and program coding
- Reconciling funds and organizations to ensure accuracy

# Delegation of Authority



Financial managers may delegate approval authority in TechBuy and other financial applications.

However, financial managers are responsible for all activity within their organizations including the activities of the assigned delegates.

- For more information, refer to TTU OP 62.03



What are your responsibilities?  
Are you held accountable?

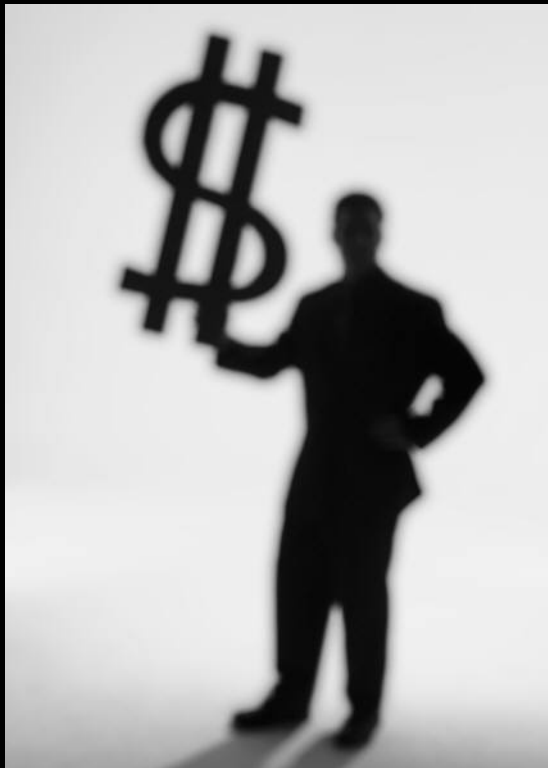
You can delegate some of the duties you are responsible for, but **YOU CANNOT DELEGATE ACCOUNTABILITY!**







# Cash Controls



## How to:

- Receipt payments
- Safeguard payments
- Deposit funds
- Reconcile deposits
- Segregate duties



# Why Establish Controls?



- Fulfill program objectives
- Meet mission and goals
- Prevent theft
- Protect employees
- Owe our customers
- Comply with TTU OPs



# Cash Funds and Fund Custodians

## Two Types of Cash Funds:

- Petty Cash Funds are used in rare instances and maintained in a separate bank account for approved purchases.
- Change funds are small currency and coin funds used strictly for making change.
- The Fund Custodian is the person to whom the petty cash and/or change fund is issued to and is responsible for the fund even though it may be handled by more than one person.

For more information, refer to TTU OP 62.05.



# Receipt of Funds

- Checks
- Credit Cards

For more information, refer to  
TTU OP 62.04 and 62.05.





# Quick Tip One

**In order to ensure funds are secured against loss:**

**Checks should be restrictively endorsed immediately upon receipt with the **Official** TTU endorsement stamp.**

For more information, refer to TTU OP 62.18.



# Payment Via Credit Cards

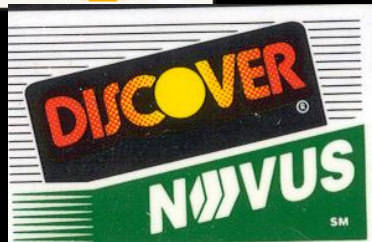
Based on the Merchant Rules you may only request a photo ID when Credit Card is not signed



After reviewing the ID, have the customer sign the card in your presence.



# Quick Tip Two



## Maintain control over Credit Card numbers.

- Keep cardholder data storage to a minimum
- Credit card numbers must be unreadable anywhere they are stored.



# Documentation of Payments



- Mail logs
- Cash receipt slips
- Cash registers or computerized accounting systems





# Adjustments

Adjustments can occur due to cashier or customer errors.

- **Mail log errors**
- **Voided receipt slips**
- **Cash register voids, no sales, over-rings, and corrections**

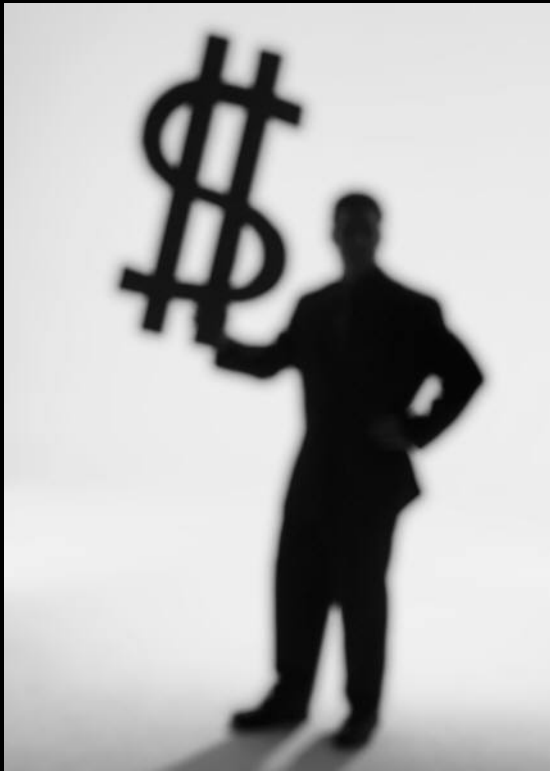
**Excessive Adjustments may indicate fraud.**





# Accountability for Funds

- Custody of funds
- Transfers of funds
- Balance of funds





## Quick Tip Three

Never cash personal checks from the change fund.

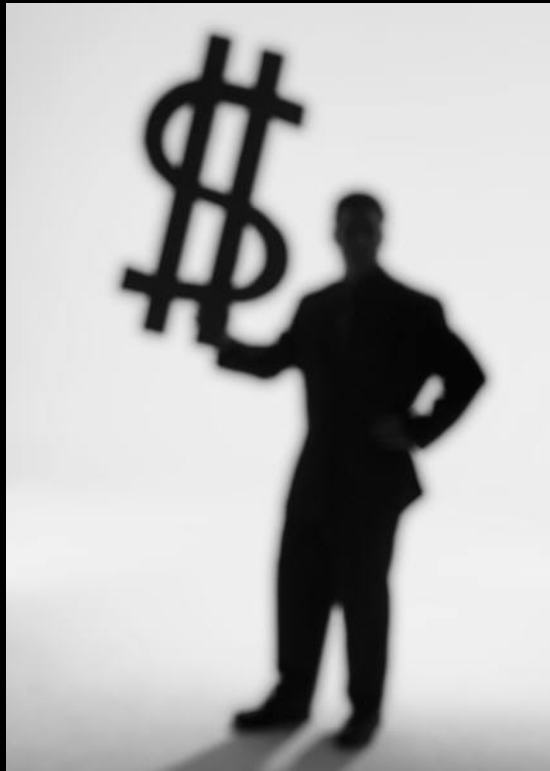
Never borrow funds from the cash drawer.

Never commingle personal funds with TTU funds.





# Safeguarding Payments



- Limit Access
- Secure Funds



# Depositing Receipts



- **Timely Deposits**

- **DDIS**

For more information, refer to TTU OPs 62.05 and 62.07

Texas Government Code 404.094



# TEXAS TECH UNIVERSITY



Departmental Deposit Information Sheet

Banner Fund

Banner Account

2A0073

\* Banner Fund provided by Financial Accounting & Reporting

AMOUNT DEPOSITED

BANK DEPOSIT DATE

DEPOSITOR NAME	_____	CASH	\$	0.00
DEPARTMENT	_____	CHECKS		0.00
PHONE NUMBER	_____	MC/VISA		0.00
TTU ADDRESS	_____	DISCOVER		0.00
		AMEX		0.00
		<b>TOTAL</b>		<b>50.00</b>

Deposit Type	Bank Code	Amount	Cash Receipt Number (TC Doc#)
Cash	16		
Checks	16		
<b>Total</b>		<b>0.00</b>	

MC/Visa	12		
Discover	13		
Amex	14		
<b>Total</b>		<b>0.00</b>	

MC/Visa	12		
Discover	13		
Amex	14		
<b>Total</b>		<b>0.00</b>	

MC/Visa	12		
Discover	13		
Amex	14		
<b>Total</b>		<b>0.00</b>	

Account Receivable Use Only

Received on: \_\_\_\_\_

Received by: \_\_\_\_\_



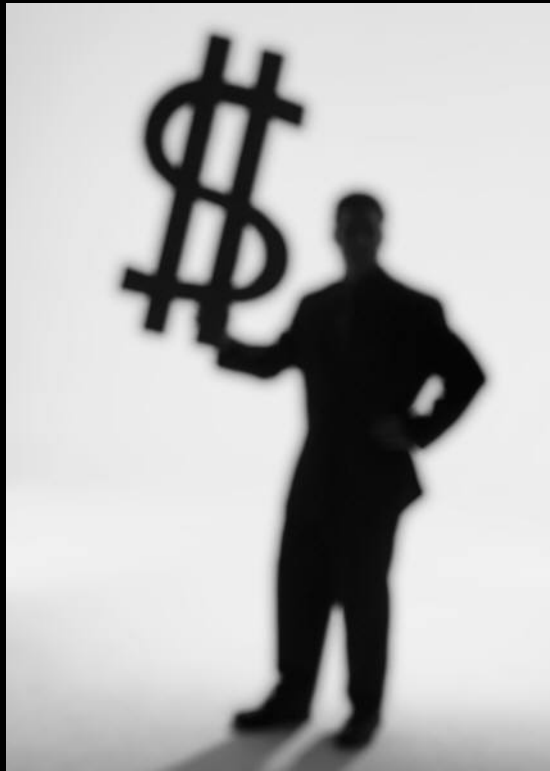
# Quick Tip Four

You should have written procedures for receipting and depositing that are maintained in your department.





# Reconciliations and Reviews

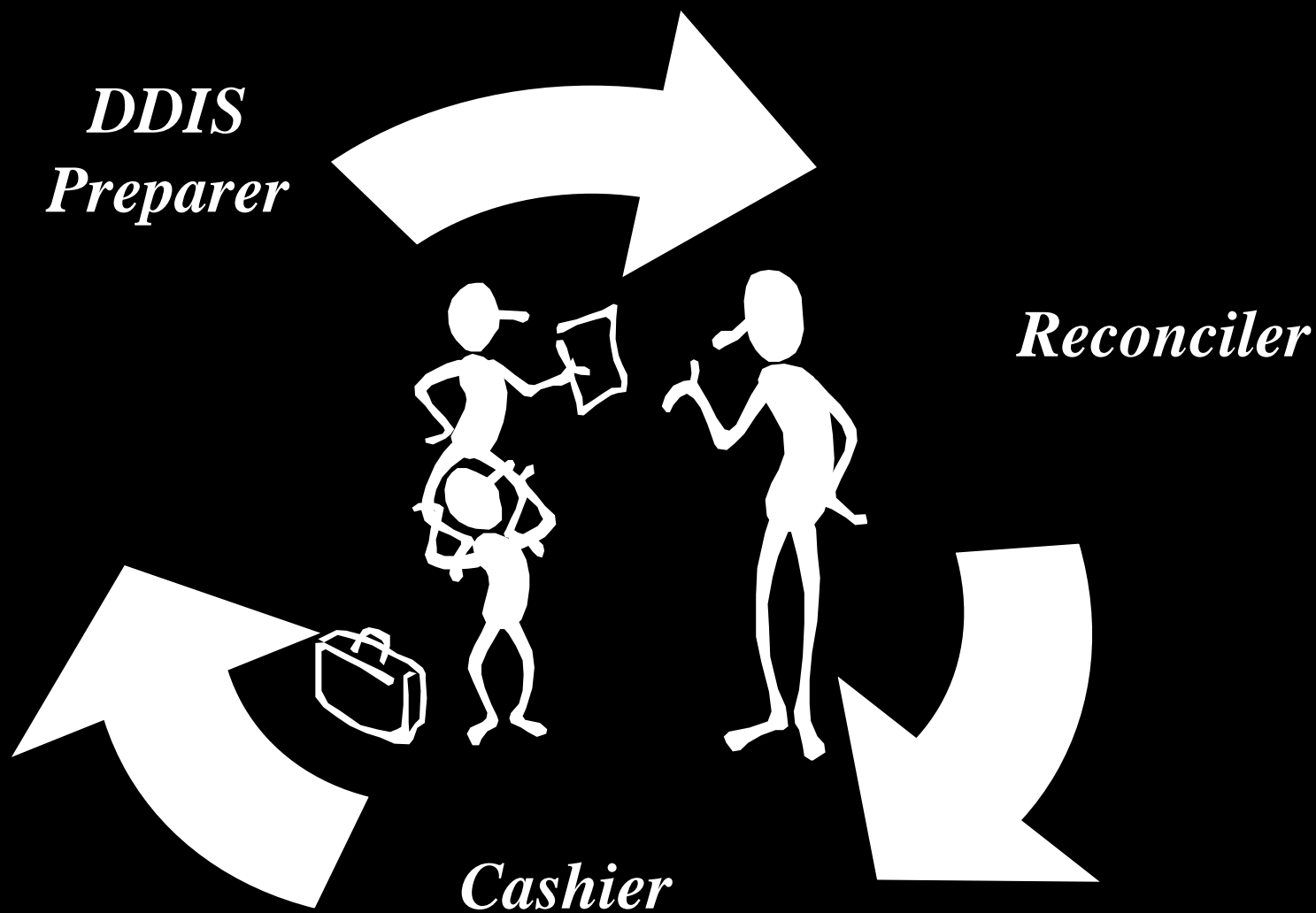


- **Reconciliations**
- **Periodic Reviews**





# Segregation of Duties





# Quick Tip Five

## Cash Handling Questions

- **TTU OP 62.04 The Collection & Handling of Returned Checks**
- **TTU OP 62.05 Authorized Petty Cash/Change Funds**
- **TTU OP 62.07 Departmental Deposits & Completion of Departmental Information Sheet (DDIS)**
- **TTU OP 62.08 Alteration of Checks**
- **TTU OP 62.18 The Endorsement of Checks to Texas Tech University**

# Questions and Answers



# Office of Audit Services



TEXAS TECH UNIVERSITY SYSTEM™

<http://www.texastech.edu/audit>

**Texas Tech University**

**(806) 742- 3220**

**319 Drane Hall**

**Lubbock, Texas**

**Health Sciences Center**

**(806) 742 – 3220**

**Room 3B 351**

**Lubbock, Texas**