



TEXAS TECH UNIVERSITY SYSTEM™

Risk, Controls, and Cash

Presented by the Office of Audit Services for
Texas Tech University Health Sciences Center



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

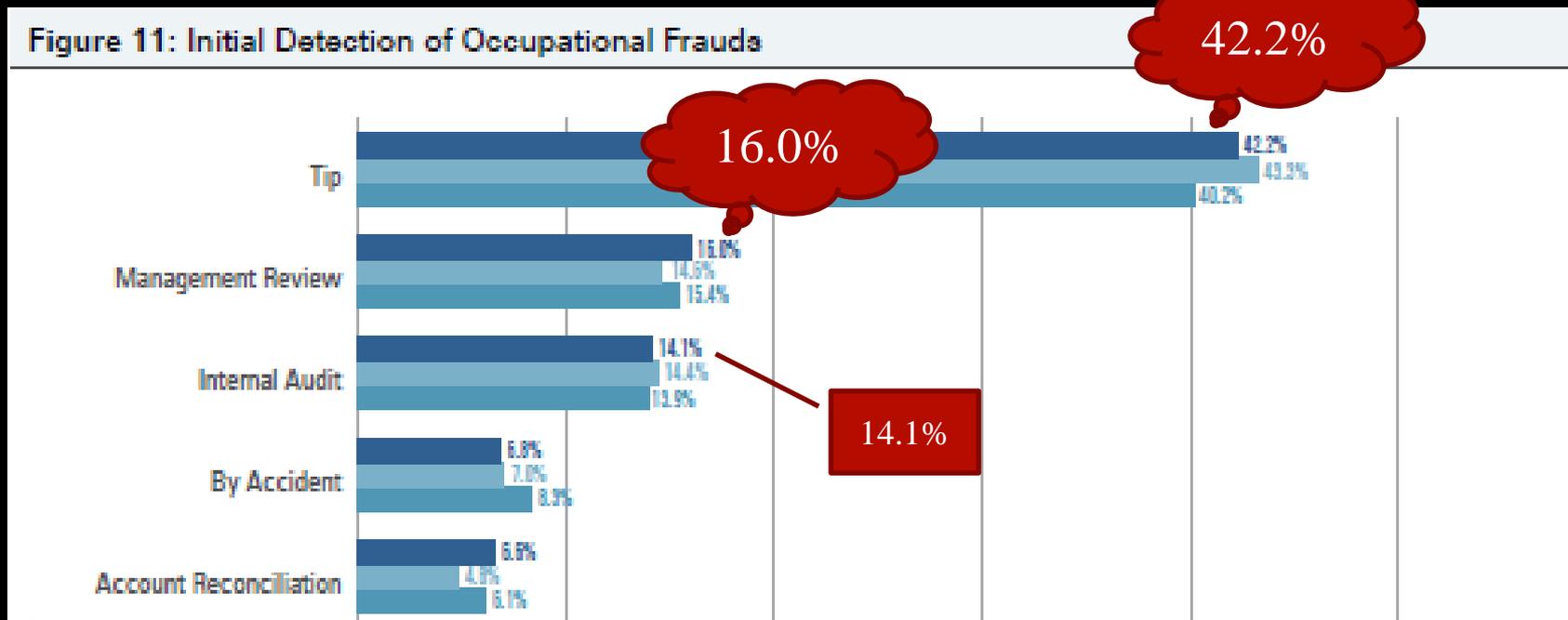
- Annual estimated fraud losses: 5% of revenues
- Most fraudsters are first-time offenders
- Amount of fraud is directly related to fraudster's positions in the organization
- Most frauds are detected by tips
- Deterrence is key

Source: ACFE's 2014 Report to the Nations on Occupational Fraud and Abuse



Fraud Facts:

- In 2014 58% of fraud cases were discovered by tips or during routine reviews by management.





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.ttuhsc.edu

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!



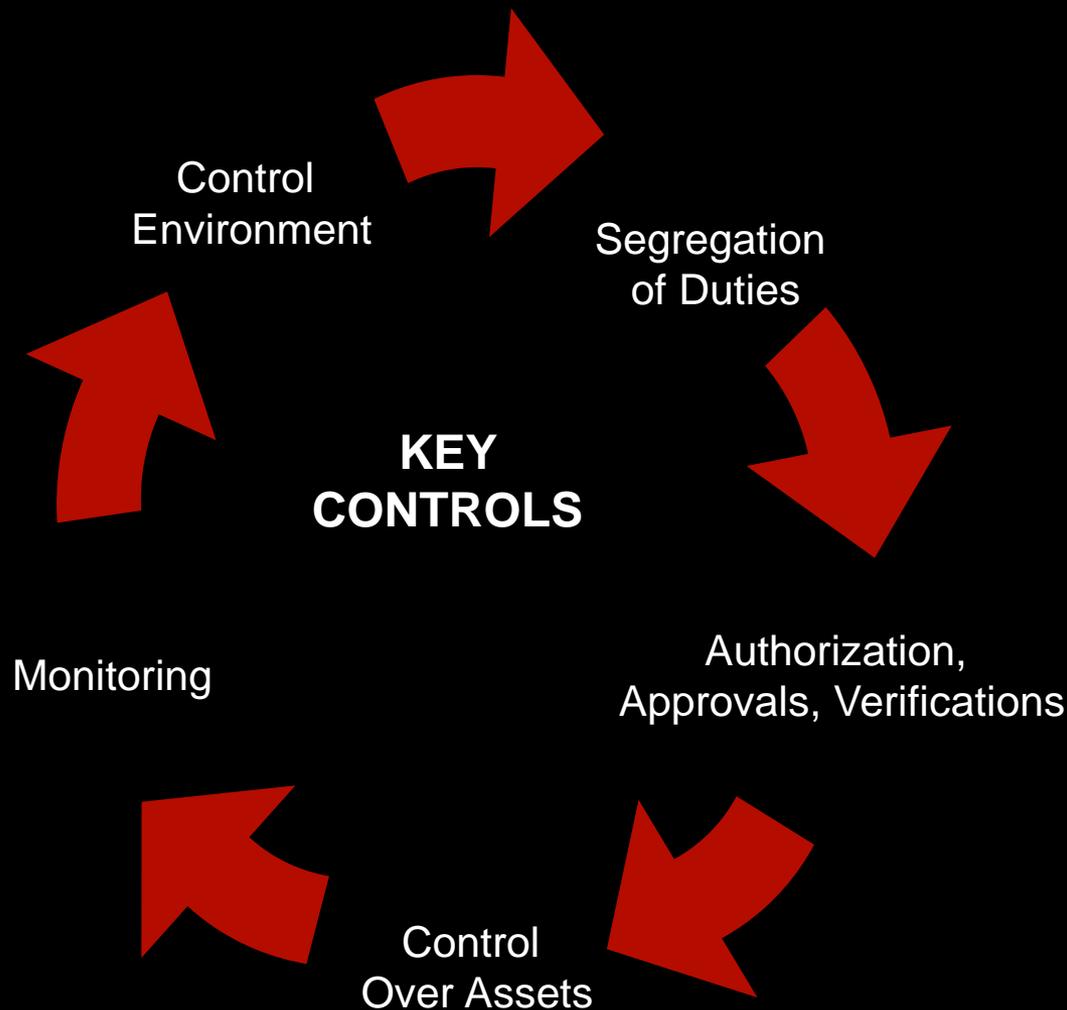


Internal Controls

- 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

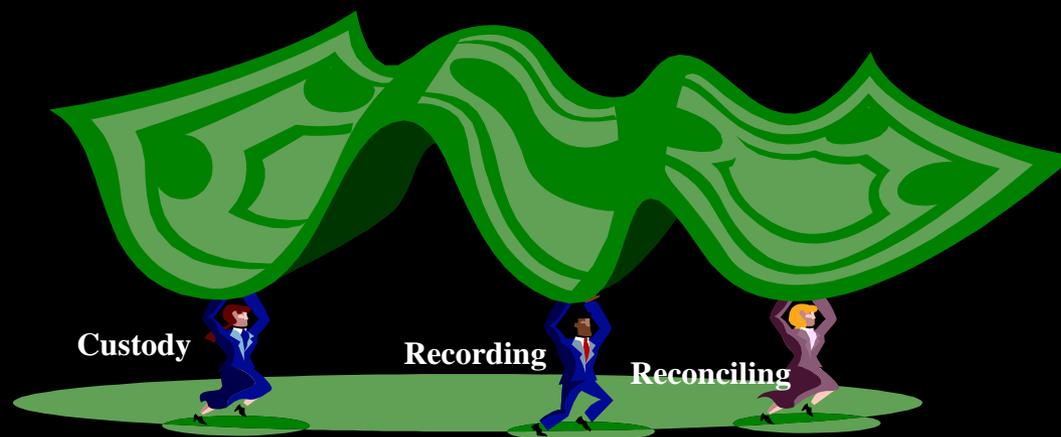
- Segregation of duties is a preventive control that aids in the timely detection of errors and irregularities in the normal course of business.
- Functions are divided so that no one person has control over all parts of a transaction.
 - No “touching”
- Internal written policies are a must





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.



Fund Managers



Responsibilities:

- Financial and operational management of their funds
 - *Ensure compliance with fund purposes and/or restrictions*
 - *Be aware of institutional policies concerning fund management*
 - *Ensure sufficient budget is available*
 - *Maximize cash flow through timely billing, collections, and depositing*
 - *Maintain positive fund balances throughout the fiscal year*
 - *Maintain correct program coding*

Delegation of Authority



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

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

- For more information, refer to HSC OP 50.03



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 HSC OP's



Cash Funds and Cash Fund Custodians

Two Types of Cash Funds:

- Change Funds are currency and coins used strictly for making change.
- Petty Cash Funds are used for approved program disbursements.

- The Cash Fund Custodian is the person whom the cash fund is issued and who is primarily responsible for safeguarding the fund even though the fund activities may be handled by more than one person.

For more information, refer to
HSC OPs 50.07 and 50.21.



Cash Fund Custodians

Cash Fund Custodians are responsible for the following:

- Training all cash handlers.
- Establishing safeguard procedures for the cash fund.
- Performing reviews of the entire cash fund process to ensure adequate controls are in place and are being followed properly by personnel.
- Preparing and updating Cash Fund Control Plans.



Receipt of Funds



- Checks
- Credit Cards

For more information, refer to HSC OP 50.12.



Quick Tip One

In order to ensure funds are secured against loss:

Checks should be restrictively endorsed immediately upon receipt with the official TTUHSC endorsement stamp.





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.
- Cardholder numbers should be unreadable anytime they are stored.



Documentation of Payments



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



**TTUHSC
Ambulatory Clinics**

CR 836741



PATIENT MED REC #	PATIENT INVOICE #	PATIENT NAME LAST, FIRST	PAY CODE	AMOUNT	Circle One CHECK/MC/VISA DISCOVER/CASH	CHECK #
W		RANGER, LONE		20. ⁰⁰		1950
W						
W						

RECEIPTED BY: *[Signature]*

TOTAL 20.⁰⁰

LOCATION: ON THE RANGE

DATE: 2-10-1923



**TTUHSC
Ambulatory Clinics**

CR 833434

PATIENT MED REC #	PATIENT INVOICE #	PATIENT NAME LAST, FIRST	PAY CODE	AMOUNT	Circle One CHECK/MC/VISA DISCOVER/CASH	CHECK #
W		TONTO		35. ⁰⁰		
W						
W						

RECEIPTED BY: _____

TOTAL

LOCATION: _____

DATE: 2-10-1923

Payment Receipt



Texas Tech Physicians
Payment Receipt

Date of Receipt: 03/22/12	MRN: W8000085
Patient: TEST, CASH DRAWER	Appt. #: 1676
INTERNAL MEDICINE	Batch #: 579
Total Amount Received: \$20.00	Initials:
Payment Type: CHECK PAYMENT	
Comment: CK# 1111	22m

Thank you for choosing Texas Tech Physicians as your health care provider.
If you have questions about your payments, please contact the
Texas Tech Physicians billing office:
Lubbock (806) 743-2898 Amarillo (806) 354-5675
El Paso (915) 594-3570 Permian Basin (432) 335-5120

DISCLAIMER: This receipt may not represent all charges for this date of
service provided by Texas Tech Physicians. Please be aware additional
charges may be billed and you may be held liable for the remaining charges.



Adjustments



Adjustments usually occur due to cashier or customer errors.

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

Excessive adjustments may indicate fraud.



Accountability for Funds



- Custody of funds
- Transfer 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 TTUHSC funds.



Safeguarding Payments



- Limit Access
- Secure Funds



Depositing Receipts



- **Timely Deposits**
 - Deposits > \$100 should be deposited no later than the following day.
 - All other deposits should be made within three business days.
- **Online Cash Receipts**

Off Campus Collections



Plan ahead and call the
Bursar's office.



Quick Tip Four

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





Reconciliations and Reviews



- Reconciliations
- Periodic Reviews



Segregation of Duties

*Deposit
Preparer*

Reconciler

Cashier





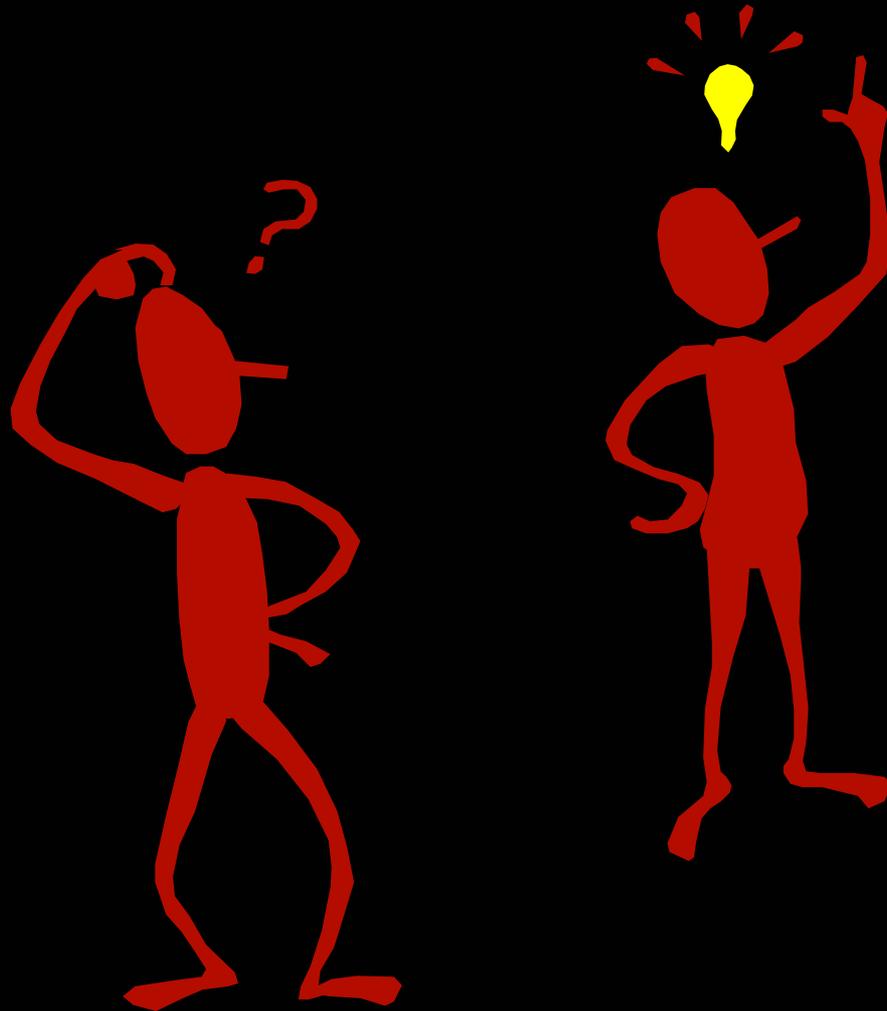
Quick Tip Five

Cash Handling Questions

- **HSC OP 50.07 Cash Collections**
- **HSC OP 50.08 Deposit Procedures**
- **HSC OP 50.10 Endorsement Stamps & Endorsement of Checks**
- **HSC OP 50.11 Alteration of Checks**
- **HSC OP 50.12 Check Collections & Returned Checks**
- **HSC OP 50.21 Change Funds & Petty Cash Funds**
- **HSC OP 50.26 Completion of Cash Receipts**



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