Payroll and Personnel System Training:

Accountability, Ethics, and Fraud

UCSB Audit and Advisory Services

UCSB

PPS BASICS

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Audit & Advisory Services Organization

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What We Will Discuss Today

Audit & Advisory Services

- Fraud
  - Why Do We Care?
  - Forms of Fraud
  - Who Commits Fraud?
  - Risk Management Program
  - Your Role

- PPS Basics
  - Accountability

- Resources

Standards of Ethical Conduct

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- We hold the University in trust for the people of the State of California.

- We are expected to conduct ourselves ethically, honestly, and with integrity in all dealings.

- We are expected to transact all University business in conformance with policies and procedures.

- It is not acceptable to ignore or disobey policies if one is not in agreement with them, or to avoid compliance by deliberately seeking loopholes.

FRAUD

Why Do We Care?

Fraud: Why Do We Care?

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The Association of Certified Fraud Examiners (ACFE)
2014 *Report to the Nations on Occupational Fraud and Abuse*

- ACFE conducted a study of 1,483 cases of occupational fraud that occurred worldwide between January 2012 and December 2013.

Source: Association of Certified Fraud Examiners (ACFE)

Fraud: Why Do We Care?

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ACFE 2014 Global Fraud Study

- Survey participants estimated that the typical organization loses 5% of its annual revenue to fraud. Applied to the 2013 Gross World Product, this figure translates to a potential projected annual fraud loss of more than $3.7 trillion.

- The median loss caused by the occupational fraud cases in the study was $145,000. More than one-fifth of these cases caused losses of at least $1 million.

- The frauds lasted a median of 18 months before being detected.

Fraud: Why Do We Care?

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- If the ACFE survey participant estimate is extrapolated for UCSB, that would mean a loss of $43,460,350* for fiscal year 2013-14.

- If the estimate is extrapolated for the UC system, that would mean a loss of $1,256,398,000** in fiscal year 2012-13.

    o There is no reason to believe that the amount would hold true for UC, but it does give us reason to redouble our efforts to prevent fraud.

*Based on total income figures from the 2013-14 UCSB Campus Profile
**Based on total revenue figures from the UC Revenue and Expense Trends Report

Fraud: Why Do We Care?

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Other Costs of Fraud

- Reputation of the Institution
- Employee Morale
- Costs of Human Resources and Investigations
- Fraud Undermines Every Aspect of the University's Mission:
  - Teaching
  - Research
  - Public Service

Fraud: Why Do We Care?

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- All types of organizations have fraud; we are not excluded because we have an important or worthy mission.

- The University has a responsibility to manage the funds of the people of California, students, and governmental funding and contracting agencies, consistent with policies and agreements made with stakeholders.

- Auditing Standards and Requirements – Internal and Industry

FRAUD

Forms of Fraud

Fraud: Forms of Fraud

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- Conflict of Interest

  o UCSB Accountability and Internal Control Policy 5101 section II D: A financial conflict of interest exists when an employee initiates, influences, authorizes, or approves a business decision that results in a financial benefit to the employee, a relative of the employee, a business associate or personal friend of the employee, or a business or investment in which the employee is associated.

  o Institute of Internal Auditors: Conflict of interest is any relationship that is, or appears to be, not in the best interest of the organization.

Fraud: Forms of Fraud

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- Cash Receipts and Disbursements

- Payroll
  - Time and Leave Reports
  - Expense Reimbursement Schemes
  - Check Tampering

Fraud: Forms of Fraud

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- ## Non-Cash
  - Misuse
  - Larceny (The wrongful taking and carrying away of the personal goods of another from his or her possession with intent to convert them to the taker's own use)

- ## Billing
  - Improper Charging of Contracts and Grants

Fraud: Forms of Fraud

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- Financial (asset and revenue overstatement and understatement)

- Non-Financial
  - Time Theft (excessive internet use, etc.)
  - Employment Credentials (employment application, social security number, references, job references, etc.)
  - Documentation (references over or under stating performance, forging contract signatures, signing something you are not authorized to sign, status and performance reports, altering documents inappropriately, etc.)

Question

A friend who does not work for the University asks you to write a reference letter on University letterhead. You do not supervise or have the authority to evaluate this person. Is it appropriate to use University letterhead in this manner?

1. Yes

2. No

3. I need more information.

Question

An employee is being officially separated from the University effective October 31. Your supervisor asks you to make entries in PPS that reflect a November 30 separation date. Is this appropriate?

1. Yes

2. No

3. I need more information.

FRAUD

Who Commits Fraud?

Fraud: Who Commits Fraud?

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Honesty Scale

Completely Dishonest ——————————————————— Completely Honest

Pressure
Attitude
Opportunity

Fraud: Who Commits Fraud?

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- Incentive/Pressure

  o Habitual criminal who steals for the sake of stealing

  o Personal prestige, goal achievement

  o Morally superior, justified in making others victims

  o Desperate need for money

  o Vices such as gambling/drugs

Fraud: Who Commits Fraud?

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- Perceived Opportunity

  o Weak internal controls

  o Circumvention of internal controls

  o The greater the position, the greater the trust and exposure to unprotected assets

  o "Most Trusted Employee"

Fraud: Who Commits Fraud?

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Conditions that Contribute to Fraud

- Poor Internal Controls
- Inadequate Staff/Resources
- Inadequate Pay
- Low Loyalty
- Poor Promotion Opportunities

Fraud: Who Commits Fraud?

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Organizational Red Flags

- Bad "Tone at the Top"
- No Communication of Expectations
- Too Much Trust in Key Employees
- Lack of Proper Authorization Procedures
- Lack of Attention to Detail
- Poor Segregation of Duties
- Tendency Toward Crisis Management

FRAUD

Risk Management Program

Fraud: Risk Management Program

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Controls

- Preventive Controls

  - o Tone at the Top
  - o Good Management
  - o Policies and Procedures
  - o Clear Roles and Responsibilities
  - o Segregation of Duties

  - o Proper Management Review and Approval
  - o Systems
  - o Risk Assessments
  - o Audits
  - o Training

Fraud: Risk Management Program

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What Prevents Controls From Working?

- Not questioning the strange, odd, and curious

- Employees don't understand policies, procedures, and reports

- Employees don't have the information needed to ensure transactions are proper

- Not enough time to do the control procedures

Fraud: Risk Management Program

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What Prevents Controls From Working?

- Blind trust

- The process mentality

- Not enforcing documentation requirements

- Inadequate fraud prevention and detection skills

- Those responsible for control procedures override controls

FRAUD

Your Role

Fraud: Your Role

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- Ability to Report Without Fear of Reprisal

  o Whistleblower Protection Policy/Procedure:

"The University of California is committed to providing a work environment where employees are free to report suspected Improper Governmental Activity or conditions that significantly threaten the health or safety of employees or the public without fear of retribution and where employees can be candid and honest without reservation in conducting the University's business. This policy is a companion to the University of California Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities (the University's Whistleblower Policy)."

ACCOUNTABILITY

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Definition

Accountability is the delegation of authority and responsibility to qualified persons to initiate, process, and review business transactions, and holding those persons responsible for the validity, correctness, and appropriateness of their actions.

Is PPS Data Confidential?

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- Isn't all that PPS information public information?

- Is somebody's salary, age, race, and home address protected information?

Is PPS Data Confidential?

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- Can you share an employee's salary info with a co-worker?

- Can a manager ask you to share the salary of another manager?

- Can you use PPS to find the home address of an employee for your holiday card list?

- Can you use PPS to find out how old all the Professors are in your department?

You Are Accountable

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You have the responsibility and authority to conduct University business through the Payroll Personnel System.

You are not the only person accountable in the process, but you **are** responsible for your individual actions.

REQUEST FOR ACCESS TO PAYROLL PERSONNEL SYSTEM (PPS)

RETURN FORM TO: Accounting Services & Controls, Mail Code 2040, or Fax to: Computing Support (x8682)
For further explanation of PPS roles and responsibilities, please see the "Advice to Managers" at http://hr.ucsb.edu/hris/pdf/advice-to-managers.pdf

Please use this form to request access for the user responsible for: PPS Inquiry, Entry/Update, Time Reporting, PAN distribution and/or Web Merit Functions. Please allow two business days for processing, and please see the third page for terminology explanations.

Accounting to Assign	☐ Add (new account):	☐ Modify:	☐ Delete:
New Logon ID: **SB** _____	Transferring to a new department or a new employee to the university.	Making changes to an existing account.	Transferring to a new department or separating from the university.

If applicable, existing ID: **SB** _____   Date Last Used PPS: _____   Employee ID: _____

User's Name: _____ Job Title: _____
(please print name: LAST, FIRST, MIDDLE)

Department: _____ *Phone: (805) _____ *E-mail: _____

Please fill out the fields this user will be responsible for.

Designated Manager ☐	**INQUIRY**	**PREPARER**	**PAN REVIEWER**
DSA ☐ Computer Support Coordinator ☐	Functions:	*Primary* ☐	*Mandatory* ☐
If you have any of the above responsibilities, please check if you require a PPS account:	Inquiry [×]	*Back-up* ☐	*Back-up* ☐
Yes ☐	Access Rules:	Functions to be prepared:	Functions to be reviewed:
No ☐	Universal Access (Central Office Functions Only) ☐	Entry/Update ☐	Entry/Update ☐
	Control Point ☐	Time Reporting ☐	Time Reporting ☐
	Individual Depts. ☐	Access Rules:	PAN Routing Rules:
	Please list 4-letter dept. codes:	Universal Access (Central Office Functions Only) ☐	Universal Access (Central Office Functions Only) ☐

MERIT ACCESS			
Control Point ☐	_____	Control Point ☐	Control Point ☐
Department(s) ☐	_____	Individual Depts. ☐	Individual Depts. ☐
Please list 4-letter dept codes:		Please list 4-letter dept. codes:	Please list 4-letter dept. codes:

Additional Restrictions:
Appointment Type [None] *Personnel Program* [None] *Student Status* [None]

Additional Restrictions:
Appointment Type [None] *Personnel Program* [None] *Student Status* [None]

Other Routing Rules: _____

Access to the PPS is granted based on your need to know the information for performance of your assigned job duties. Misuse or abuse of computer access is a serious matter that may constitute violations of federal and/or state criminal statutes for which prosecution will be pursued in accordance with the California Information Practices Action, and the Privacy Act of 1984. Employees with access to personal and confidential records shall take all necessary precautions to assure that proper safeguards are established and followed to protect the confidentially of records. Employees may not disclose personal or confidential information concerning individuals to unauthorized persons or entities as specified by Personnel Policy and Collective Bargaining Agreement. Violation of relevant policies and legislation could result in penalties such as suspension, termination, expulsion or fines.

_____   Date _____
Signature of Person Receiving Access

_____   _____   _____   _____
Signature of Designated Dept. Manager or DSA   Printed Name   Phone/Ext.   Date

If this request is a change in the Designated Manager and/or DSA access, Department Chair/Director must sign below:

_____   _____   _____   _____
**Signature of Dept. Chair/Director   Printed Name   Phone/Ext.   Date

Accounting Office Use

_____   _____   _____
_____   _____   _____
_____   _____   _____

Accounting Check by: _____ Date: _____ User ID: _____ Screen Group: _____

ALD,LP Revised 5/8/2007

Reading the Fine Print

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- Access to the PPS is granted based on your need to know the information for performance of your assigned job.

- Misuse or abuse of computer access is a serious matter that may constitute violations of federal and/or state criminal statutes.

- Employees with access to personal and confidential records shall take all necessary precautions to assure that proper safeguards are established and followed to protect the confidentially of records.

- Employees may not disclose personal or confidential information concerning individuals to unauthorized persons or entities.

- **Violation of relevant policies and legislation could result in penalties such as suspension, termination, expulsion, or fines.**

Who Decides? Who Approves?

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- Can you process your own salary increase?

- Can your manager direct you to increase his/her salary?

Everyone Is Accountable

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- Employees should use University computing resources only for legitimate University business purposes that the employees have been authorized to perform.

- Updates to PPS must meet applicable policy and procedure requirements.

- Privacy and confidentiality of information contained in the system must be maintained.

Separation of Duties

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Separation of duties:

- Universally recognized internal control principle.
- More than one qualified person should be involved in initiating, recording, and reviewing every financial transaction or business action with financial aspects.
- Reduces the risk of error or inappropriate actions.

Control Features of PPS

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- Will not allow an employee to update his/her own record.

- Requires at least one mandatory reviewer.

- Departments are required to assign separate individuals the roles of preparer, reviewer, and backup preparer/reviewer.

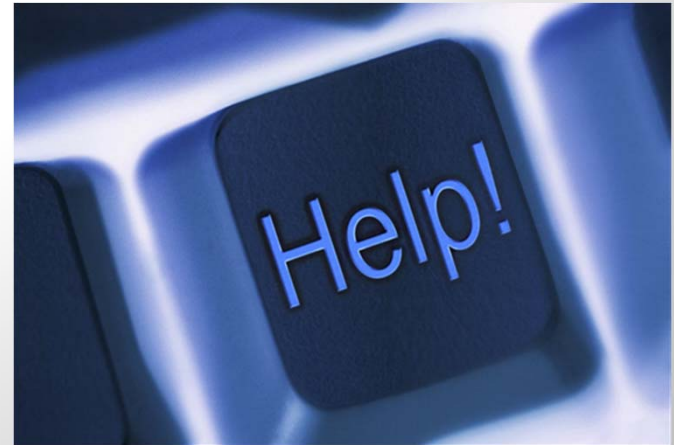# What Would You Do?

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- What if you are asked to do something you think is unethical, violates UC policy, and/or may be illegal?

There Are Resources

- There are many resources on campus that can help you do things the right way.

Campus Resources

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- Locally Designated Official (LDO)
- Human Resources
- Business and Financial Services
- Academic Personnel
- Audit & Advisory Services & Whistleblower Program
- Office of the Ombuds

Campus Resources

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- UCSB's Ethics and Compliance Program website includes information on various campus resources:

  http://www.compliance.ucsb.edu/

Roles in PPS

Roles in PPS

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Designated Manager

Primary Preparer

Mandatory Reviewer

Backup Preparer/Reviewer

Department Security Administrator (DSA)

Roles in PPS

Department Head or Designated Manager

- Reviews accountability structure and ensures that it follows accepted accountability principles including separation of duties.

- Monitors delegations and procedures and ensures they remain secure, accurate, and current.

- Ensures all departmental personnel have participated in the required training and are performing their duties according to policies.

Roles in PPS

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Preparer

- Understands the transaction and ensures that prior authorization is obtained.

- Understands policy and regulatory requirements.

- Ensures that appropriate and accurate data are entered.

- Resolves questions raised during entry via on-line edits and error messages.

- Notifies the DSA and/or Department Manager of absences so that backup can be implemented.

- Accepts responsibility for all entered PPS transactions.

Roles in PPS

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Mandatory Reviewer

- Reviews transactions within two business days.
- Reviews each transaction for compliance with policy.
- Ensures that questions are resolved within two business days, or that the transaction is reversed until it is resolved.
- Notifies DSA or Department Manager of any absence of more than two days.
- Accepts accountability for reviewing PPS transactions.

Roles in PPS

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Backup Preparer/Reviewer

- Receives training equivalent to primary preparer and/or mandatory reviewer.

- Fulfills same responsibilities as primary preparer or mandatory reviewer.

- Maintains currency of knowledge.

Roles in PPS

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Department Security Administrator (DSA)

- Records all accountability delegations.

- Contacts Business and Financial Services to provide appropriate access for all on-line preparers, and the designated PAN reviewers of a department's on-line transactions.

- Updates the record of accountability delegations each time a change is required, such as when a person is absent and back-up is assigned, or when an individual leaves, is hired, or responsibilities change.

Password Management

Password Management

Audit & Advisory Services

Passwords

Your password authenticates your identity to the system. Do NOT share your password with anyone. Allowing another person to use your password violates the principles of system user accountability.

Password Management

Audit & Advisory Services

Basics of Password Management

- Select a password that does not form an English language word.

- Select a password that you can easily memorize, but would be difficult for another person to guess.

Password Management

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NO!

- FLUFFY1
- JILOGON
- PPSLOGN

Yes!

- TQBFJ0TLD
- DukTw2SJ?
- M$8ni3y0

Log Off, Log Out

- Employees should log off the system whenever they leave their work stations unattended in order to protect the system from unauthorized access and use.

- A log on ID is considered equivalent to a signature and an employee is responsible for all entries made under his/her log on ID.

Questions

RESOURCES

Resources

Whistleblower Resources

- Vice Chancellor Administrative Services:
  http://www.vcadmin.ucsb.edu

- Audit and Advisory Services:
  http://www.audit.ucsb.edu

- Whistleblower:
  http://www.vcadmin.ucsb.edu/whistleblower

- Whistleblower Hotline:
  http://www.universityofcalifornia.edu/hotline

- Whistleblower Hotline Phone:

  800-403-4744

Resources

UCSB

Audit & Advisory Services

Contacts

- Marc Fisher, Vice Chancellor Administrative Services, Locally Designated Official – Ext. 3132
- Robert Tarsia, Director, Audit and Advisory Services – Ext. 4080
- John Kushwara, Senior Investigator – Ext. 4335
- Jim Corkill, Controller and Director, Business and Financial Services – Ext. 5882
- Cynthia Seneriz, Acting HR Director – Ext. 8137
- Cindy Doherty, Academic Personnel Director – Ext. 8332
- Joe Incandela, Interim Vice Chancellor for Research – Ext. 8270
- John Sterritt, Director, Environmental Health and Safety – Ext. 2040
- Ricardo Alcaíno, Director, Equal Opportunity and Sexual Discrimination Prevention - Ext. 4504
- Ariana Alvarez, Director and Title IX Officer, Title IX and Sexual Harassment Policy Compliance Office - Ext. 2546
- Dustin Olson, Chief of Police, UCSB Police Department – Ext. 4151
- Nancy Hamill, Chief Campus Counsel – Ext. 3459

Resources

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Policies

- Statement of Ethical Values
- UC Standards of Ethical Conduct
- Faculty Code of Conduct
- UC Whistleblower Policy
- UC Whistleblower Retaliation Policy
- Conflict of Interest
  - Standards of Ethical Conduct – 6. Conflicts of Interest or Commitment
  - UC Personnel Policies for Staff Members 82 – Conflict of Interest
  - UC Business and Finance Bulletin G-39 – Conflict of Interest Policy
  - UC Business and Finance Bulletin 43 – Materiel Management
- Use of University Resources
  - Standards of Ethical Conduct – 10. Use of University Resources
  - Personnel Policies for Staff Members 31, 32, 33
  - Electronic Communications Policy and Local Implementing Procedures
  - Policies Applying to Campus Activities, Organizations and Students 40.00 – Policy on Use of University Properties
  - Business and Finance Bulletin 29 - Management and Control of University Equipment, Section XIII – Personal Use of Property
  - Business and Finance Bulletin 65 – Guidelines for University Mail Services
- Exercising Official Duties
  - Business and Finance Bulletin 43 – Materiel Management

Sources

Audit & Advisory Services

- Report to the Nations on Occupational Fraud and Abuse: 2014 Global Fraud Study
  - The Association of Certified Fraud Examiners (ACFE)
  - Full report available at ACFE.com

- International Standards for the Professional Practice of Internal Auditing & Glossary
  - The Institute of Internal Auditors

Evaluation

Audit & Advisory Services

Please visit our website and complete a course evaluation:

http://www.audit.ucsb.edu/about-us/evaluation-presentations-and-training