Payroll and Personnel System Training: Accountability, Ethics, and Fraud
UCSB Audit and Advisory Services

PPS BASICS
July 26, 2016
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What We Will Discuss Today

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

• PPS Basics
  o Accountability

• Resources
Standards of Ethical Conduct

- 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?

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?

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.

Source: Association of Certified Fraud Examiners (ACFE)
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.

- 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?

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?

- 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

• 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

- Cash Receipts and Disbursements
- Payroll
  - Time and Leave Reports
  - Expense Reimbursement Schemes
  - Check Tampering
Fraud: Forms of Fraud

• Non-Cash
  o Misuse
  o 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
  o Improper Charging of Contracts and Grants
Fraud: Forms of Fraud

- 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.)
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.
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?

Honesty Scale

Completely Dishonest ——— Completey Honest

Pressure
Attitude
Opportunity
Fraud: Who Commits Fraud?

- Incentive/Pressure
  - Habitual criminal who steals for the sake of stealing
  - Personal prestige, goal achievement
  - Morally superior, justified in making others victims
  - Desperate need for money
  - Vices such as gambling/drugs
Fraud: Who Commits Fraud?

- Perceived Opportunity
  - Weak internal controls
  - Circumvention of internal controls
  - The greater the position, the greater the trust and exposure to unprotected assets
  - “Most Trusted Employee”
Fraud: Who Commits Fraud?

Conditions that Contribute to Fraud

- Poor Internal Controls
- Inadequate Staff/Resources
- Inadequate Pay
- Low Loyalty
- Poor Promotion Opportunities
Fraud: Who Commits Fraud?

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

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
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

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

• 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

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?

- Isn’t all that PPS information public information?

- Is somebody’s salary, age, race, and home address protected information?
Is PPS Data Confidential?

• 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

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 (x36872)

For further explanation of PPS roles and responsibilities, please see the “Advice to Managers” at http://hr.uchicago.edu/hr/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**

New Logon ID: **SB**

Add (new account): Transferring to a new department or

Modify: Making changes to an existing account.

Delete: 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: ________________________

Department: ________________________

*Phone: (805) ________________________

*E-mail: ________________________

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

**Designated Manager**

**DSA**

Computer Support Coordinator

If you have any of the above responsibilities, please check if you need a PPS account:

Yes __ No __

**Inquiry**

Functions:

- Inquiry
- Access Rules:
  - Universal Access

Control Point

Individual Depts.

- Please list 4-letter dept. codes:

**Preparer**

Primary Back-up

Functions to be prepared:

- Entry/Update
- Time Reporting
- Access Rules:
  - Universal Access

Control Point

Individual Depts.

- Please list 4-letter dept. codes:

**PAN Reviewer**

Mandatory Back-up

Functions to be reviewed:

- Entry/Update
- PAN Routing Rules:
  - Universal Access

Control Point

Individual Depts.

- Please list 4-letter dept. codes:

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 Act, and the Privacy Act of 1974. 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 confidentiality 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.

Signature of Person Responsible for Access: ________________________

Date: ____________

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: ____________
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 confidentiality 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?

• Can you process your own salary increase?

• Can your manager direct you to increase his/her salary?
Everyone Is Accountable

- 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

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

- 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?

• 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

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

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

  http://www.compliance.ucsb.edu/
Roles in PPS
Roles in PPS

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

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

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

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

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

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.
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

**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
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, 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

Policies

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

- 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

Please visit our website and complete a course evaluation: