



LSU PM-76 Training

James Ponce, CPA, CIA, CFE
Director, LSU Internal Audit

October 14, 2014

LOVE PURPLE
LIVE GOLD

Agenda

- Internal Audit at LSU
- Permanent Memoranda (PM) 76 - Detection, Reporting, and Investigation of Incidents of Financial Irregularity
- LSU Ethics & Integrity Hotline
- Questions

Internal Audit at LSU

- Part of LSU yet organizationally independent
- Established by Audit Charter
- Our goal is to help the University accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance processes.

Internal Control

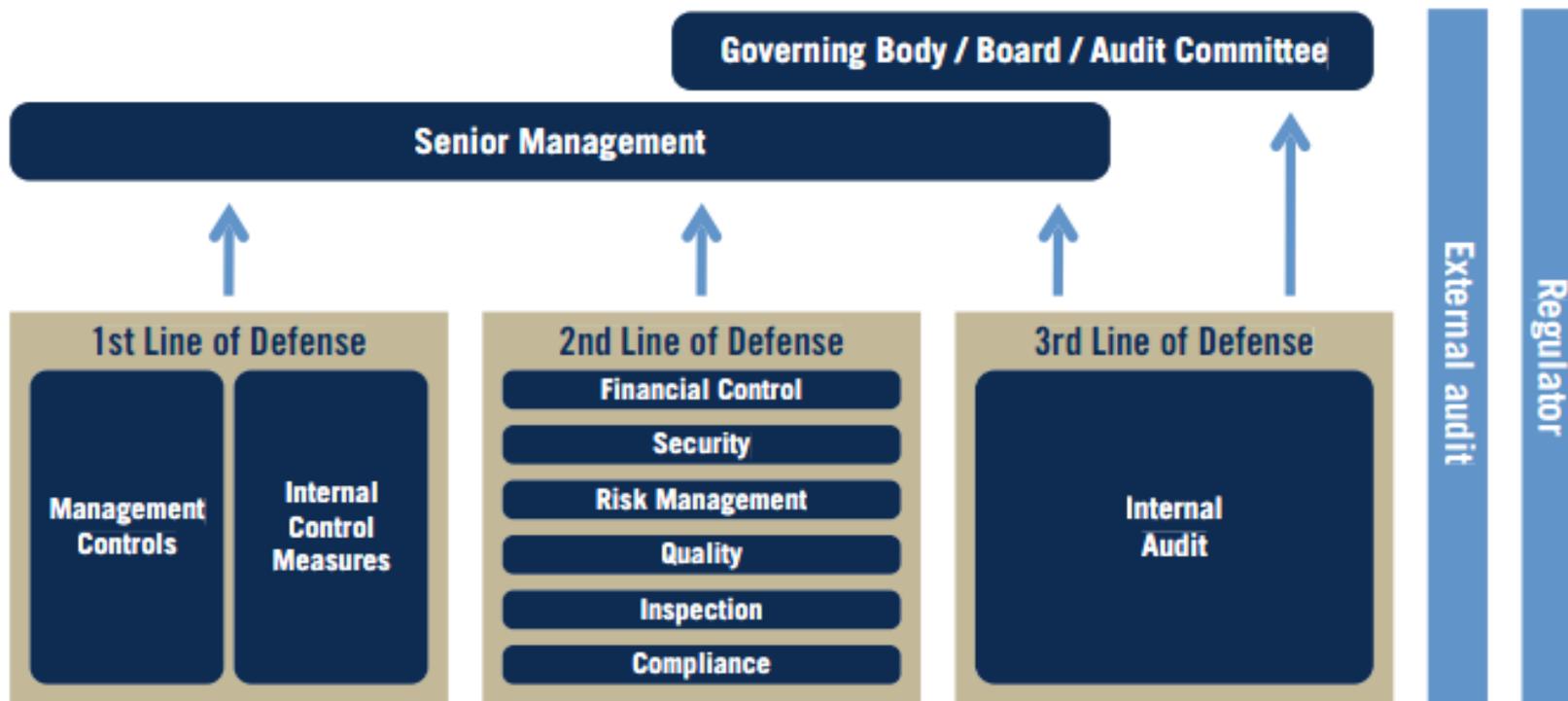
- Who is responsible for establishing internal controls?
- Who is responsible for ensuring they are operating?
- Who is responsible for identifying when controls are not working or are being circumvented?

- Management is responsible for all

Three Lines of Defense

- 1st Line: Management Controls
- 2nd Line: Risk control and compliance oversight
- 3rd Line: Internal Audit

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

• <https://na.theiia.org/news/Pages/The-Three-Lines-of-Defense-in-Effective-Risk-Management-and-Control-Is-Your-Organization-Positioned-for-Success.aspx>

Permanent Memoranda (PM) 76 - Detection, Reporting, and Investigation of Incidents of Financial Irregularity

- PM was established August 1, 2014
- Defines ‘financial irregularity’
- Establishes responsibility for reporting and investigating financial irregularities

Financial Irregularity includes but is not limited to:

- Misappropriation
- Misclassification
- Alteration or forgery
- Misuse / personal use
- False claims
- Identity theft
- Accepting or seeking anything of value
- Fraud or deceptive practice
- Intentional acts or omissions that violate LSU policy, procedure, or law regarding financial matters

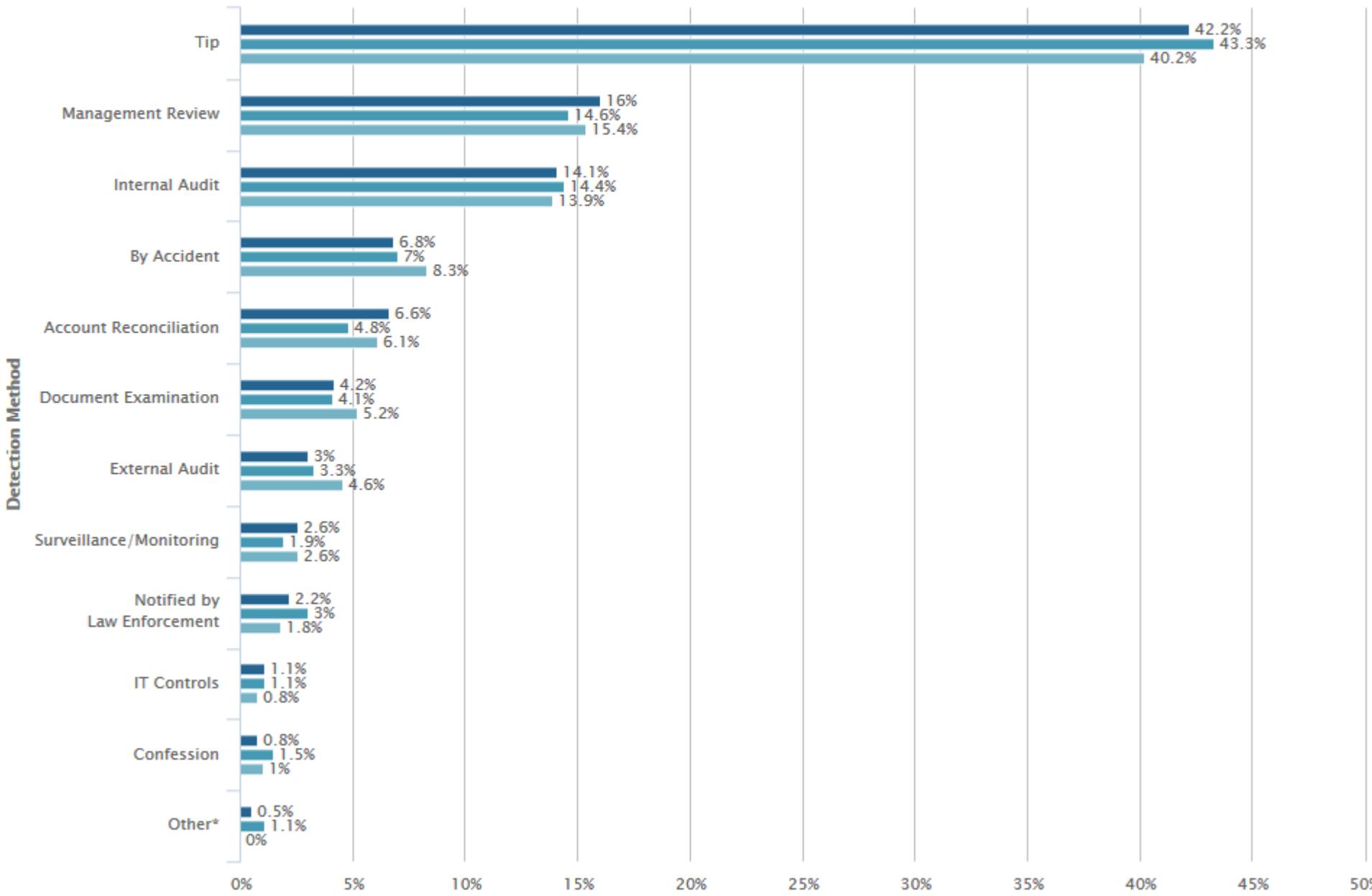
Who is responsible for detecting and reporting financial irregularities?

- Management is responsible for the prevention and detection of financial irregularities and for ensuring that proper internal controls are in place to reduce the risk of such conduct.
- Management is responsible for reporting known or suspected issues and are authorized to take action within their scope of duties to prevent further loss.

Who is responsible for detecting and reporting financial irregularities?

- All LSU faculty, employees and students have an affirmative duty to report.
- A duty arises when a reasonable person is in possession of facts that a possible incident of financial irregularity under this policy has occurred.
- A knowing failure to report an incident covered by this policy may be subject to disciplinary action.
- “Reprisal or retaliation of any kind against a person who reports a financial irregularity will not be tolerated.”

Initial Detection of Occupational Frauds



How should known or suspected financial irregularities be reported?

- Report to your immediate superior;
- Direct notification to the Internal Audit;
- Notification to an LSU administrator; or
- Anonymous telephone call (855-561-4099) or internet report www.lsu.ethicspoint.com to the LSU Ethics and Integrity Hotline
- If you as a supervisor receive a report, immediately notify Internal Audit.

Who is responsible for investigating financial irregularities?

- The Office of Internal Audit has the responsibility of responding to and investigating financial irregularities.
- IA, in coordination with General Counsel and the CFO, determines whether to request assistance of law enforcement.
- Upon conclusion of investigation, if there has been a misappropriation, IA notifies the DA and LLA as required by R.S. 24:523.

Duty to cooperate

- Employees are required to cooperate timely with investigations. This could include
 - Interviews
 - Providing documentation
 - Compiling necessary information
 - Responding to inquiries
- Please do not question employees or try to gather documents or facts on your own prior to reporting.

Quiz – Who investigates?

- Purchasing bid rigging (IA)
- Professor working at two Universities (IA)
- Stolen computer (Police)
- Missing petty cash (IA)
- Conflicts of interest (IA)
- Employees absent but not taking leave (IA)
- (IA =Internal audit)
- Inappropriate grant expenses (IA)
- Financial statement fraud (IA)
- Sexual harassment (HRM)
- NCAA Violations (Athletics Compliance)

Quiz – Who investigates?

- If you are unsure who to contact, the best course of action is to report via the LSU Ethics and Integrity web interface.
- Reports are reviewed and routed to the appropriate department for investigation.

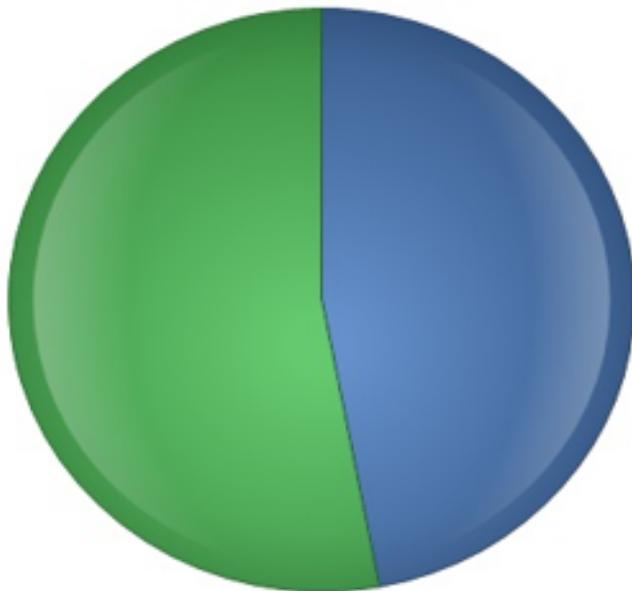
Reports since implementation



<i>Issue</i>		
1. Child Abuse		1
2. Conflict of Interest		1
3. Discrimination or Harassment		1
4. Employee Dishonesty		1
5. Nepotism or Favoritism		1
6. Payroll Fraud		2
7. P-Card Misuse and Abuse		2
8. Policy Violations		2
8. Scholarship/Financial Aid Misconduct		1
9. Theft/Embezzlement		2
10. Time Abuse		2
11. Waste, Abuse or Misuse of Institution Resources		1
Total		17

Reports since implementation

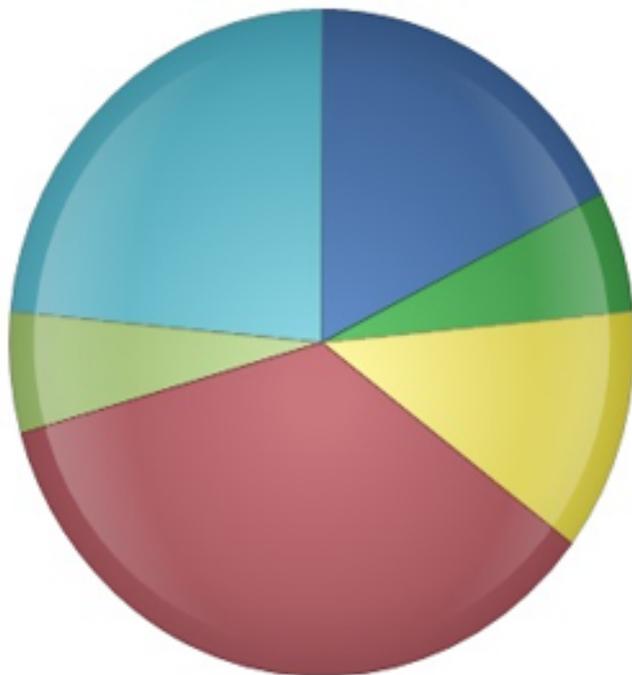
Summary - Anonymous/Identified



<i>Anonymous / Identified</i>		
1. Anonymous		8
2. Identified		9
Total		17

Reports since implementation

Summary - Intake Method



<i>Intake Method</i>	
1. E-mail	3
2. Employee Walk-In	1
3. Hotline Phone	2
4. Hotline Web	6
5. Letter / Mail	1
6. Phone	4
Total	17

Questions?

- Chad Brackin, Chief Auditor – cmb@lsu.edu
- James Ponce, Audit Director – jponce3@lsu.edu
- Sammy Wyatt, Manager of Investigations – Swyatt@lsu.edu
- LSU Ethics and Integrity Hotline - (855-561-4099) or www.lsu.ethicspoint.com