

INTERNAL CONTROLS COMMUNIQUÉ

Div. of Military & Naval
Affairs

Internal Control
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In this newsletter I will be focusing on fraud. We will be going over contributing factors for fraud occurring, anti-fraud internal controls, and reporting fraud¹. Keep these items in mind as fraud awareness is key to successfully combat fraud.

Contributing Factors

The three top contributing factors in fraud cases occurred when an organization had the following:

- **Lack of internal controls** – the most common is improper segregation of duties.
- **Lack of management review** – management does not formally review employees' duties
- **Overriding of existing controls in place** – usually done by an individual in management to commit and conceal the fraud from occurring

Anti-Fraud Internal Controls

Having a hotline is the most effective detective anti-fraud internal control. It was determined that having a hotline is the greatest control that is associated to a reduction in the median loss to the organization. Additionally, "tips" received from employees was the number one way a fraud was detected in an organization. For more information continue reading below on the NYS Office of Inspector General "hotline" to report instances of fraud.

Reporting Fraud

What *should* you do if you encounter fraud? ► You *should not* confront the individual. ► You *should* work within your chain of command. ► You *should* report it to the NYS Office of Inspector General.

➤ www.ig.state.ny.us

➤ 1-800-DO-RIGHT

Internal Control Training

The Governor's Office of Employee Relations has implemented a new on-line training program, Statewide Learning Management System (SLMS). DMNA employees will be required to take internal control training in SLMS. Currently, the State Human Resources Office is receiving training on how to administer the SLMS program. It is my goal to have DMNA employees receive internal control training by the end of the State Fiscal Year.

✂ **EVERYONE is responsible for internal controls!** ✂

¹ Items in this newsletter were taken from the 2010 Association of Certified Fraud Examiners' Report to the Nations on Occupational Fraud and Abuse.