

Achieving Your Student Group's Goals through Financial Stewardship



Audit & Management
Advisory Services

Introduction

- **Audit & Management Advisory Services**
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- **You**
 - **Name & Group**

Agenda



- Overview of Financial Risks and Internal Controls
- Examples & Tools
- Group Exercise - Case Studies
- Questions & Answers

Financial Risks & Your Student Group

Primary Financial Risks for Student Groups

- Invalid or unauthorized expenditures
- Revenue or expenses not properly posted to groups' PeopleSoft accounts
- Budget overruns
- Loss of cash or inventory



What factors allow these risks to affect Student Groups?

- Insufficient planning or budgeting
- Spending beyond or outside of the budget
- Placing too much responsibility on one person
- Failure to review PeopleSoft financial reports
- Placing too much reliance on TCU Senate policies and procedures



Internal Controls to Mitigate Risk

Internal Controls Defined

- Internal controls provide student group leaders with *assurance* that a group's goals and objectives will be met



Internal Controls Defined

- We call these *internal* controls because they refer to activities completed by you, the group's managers, rather than by someone outside of your group

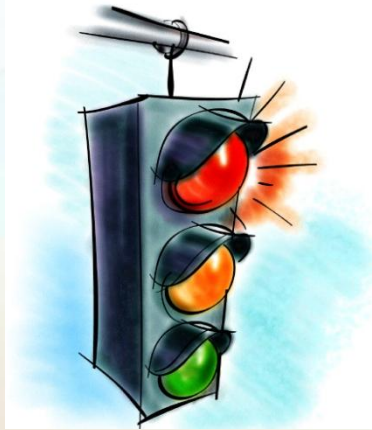


Why are internal controls important?

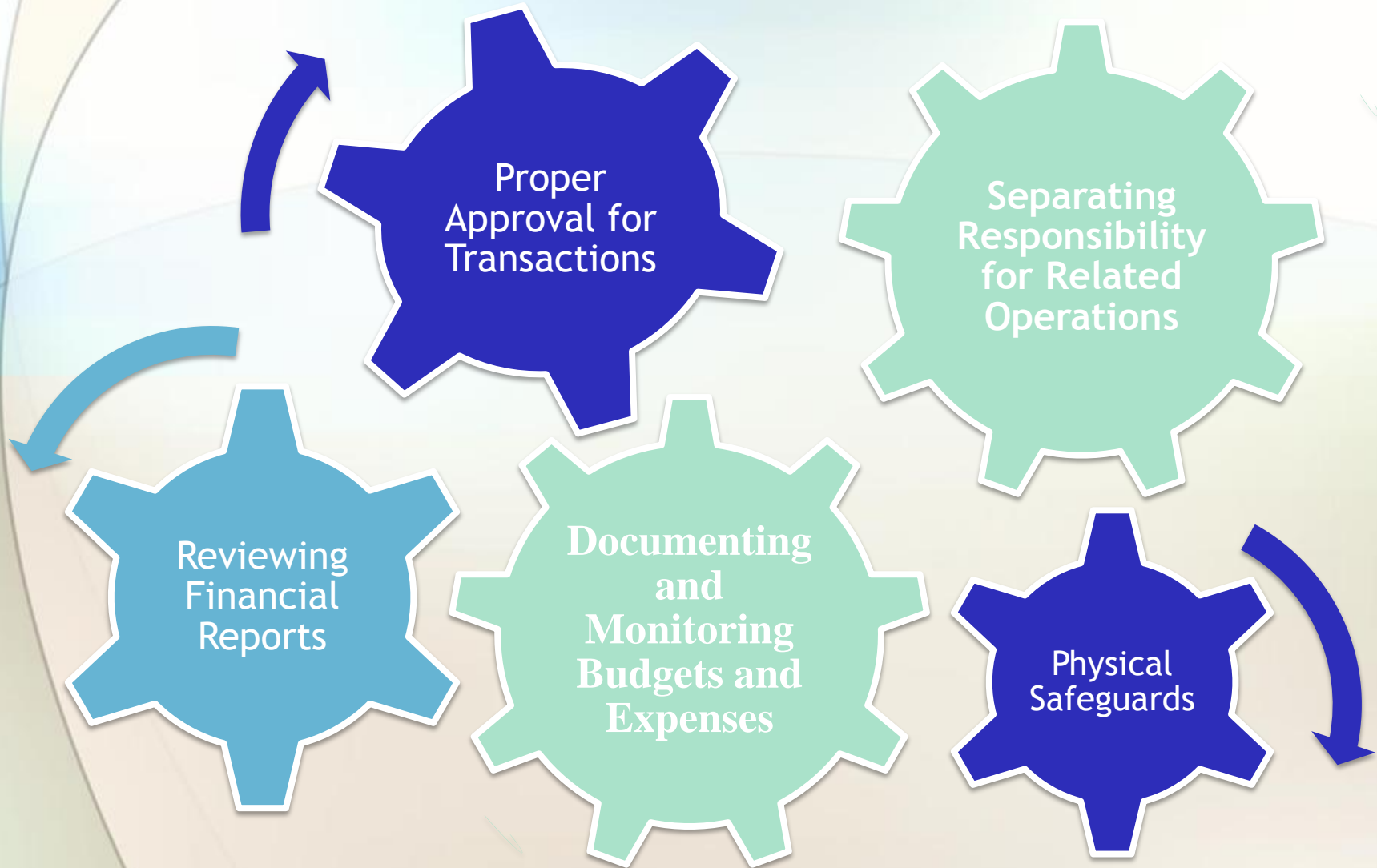
To manage risk
and promote
ethical behavior



Risk & Internal Control Demo - My Scooter



Examples of Internal Controls





Risk & Internal Control Activity Example

Example: Disco Inferno

- Your group is planning to host a dance party. A DJ needs to be booked and decorations need to be purchased. What financial risks might affect the success of the dance party? Describe some internal controls to address those risks.



Example: Disco Inferno

Potential Financial Risks

- The DJ hired may overcharge for the event or may not fulfill contract terms
- Not enough or too many decoration supplies may be purchased
- Someone may submit a receipt for reimbursement not related to the dance party
- A mystery charge unrelated to the dance party may appear on the group's financial report



Example: Disco Inferno

Internal Controls

- Build a budget
 - Get quotes from DJs to anticipate this cost
 - While your best friend may be a DJ, it is not appropriate to hire her without comparing her rate with others
- Follow TCU and Tufts guidelines when creating a contract (OCL must sign!)
- Ensure that only budgeted items are purchased
- Review the PS financial reports after the party to ensure the appropriate expenses were charged
 - Look for unknown items in the financial reports and ask what they were for



Tools You Can Use

Risk Assessment

- Identify the risks that could affect your group
- Focus on risks that are likely or reasonably likely to occur
 - Lindsay Lohan showing up and getting arrested (again) may disrupt your bake sale but...



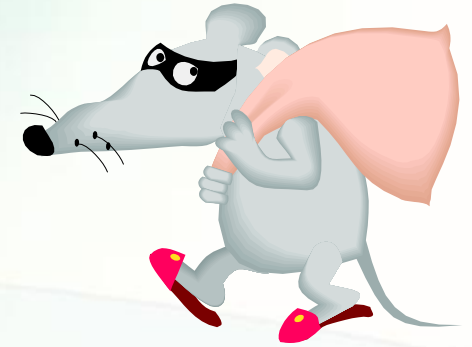
Risk Assessment

Once identified, risks can be analyzed:

- to estimate their **significance**
- to assess their **likelihood** of occurring
- to determine actions that will minimize the risks



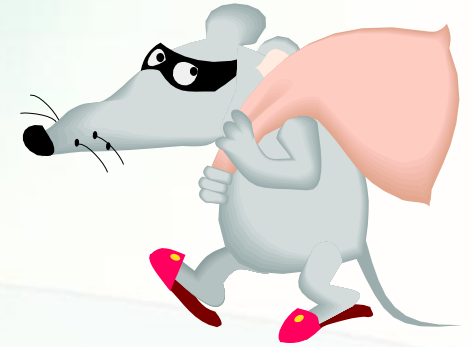
Possible Red Flags



The following may indicate that something has gone wrong:

- **Reimbursement requests without detailed receipts**
- **Items listed as “miscellaneous” or “other” on invoices**
- **Transfers from other groups’ accounts**

Possible Red Flags (cont.)



- **Last minute or out-of-period expenses in the PeopleSoft financial reports**
- **Payments to unrecognized or commonly named vendors**
- **Duplicate payments**

Case Studies

Case Study - Jack's Meal Plan

Jack, the treasurer, is in charge of purchasing pizzas and soda for the Audit Fan Club monthly meetings. The budget allows for the purchase of 5 pizzas for each meeting. Jack purchased the correct amount for the first two meetings and everyone at the club had a slice. Several club members have announced that they will not be at the third meeting.

Jack decides to purchase 5 pizzas for the October meeting even though he knows only a few people will be there. He places three of the pizzas on a side table so they won't be noticed. The club members eat the other two pizzas. After the meeting Jack takes home three "leftover" pizzas and eats for a week.

Case Study - Jack's Meal Plan

- What went wrong in the scenario?
- Why? What issues created the risk that something would go wrong?
- Describe some internal controls which would mitigate the risks

Case Study - Jack's Meal Plan

- **Risks**
 - Jack uses club funds for personal gain
- **Issues**
 - Jack did not receive guidance on how many pizzas to purchase for the third meeting
 - Jack doesn't believe it is unethical to use club funds to fund his meal expenses

Case Study - Jack's Meal Plan

- Possible Internal Controls
 - Develop purchasing guidelines so that pizza is purchased for the expected number of attendees
 - The signatory should make a habit of asking questions about receipts
 - Ask: Does the amount of the expense relate to the activity?

Case Study - Audit Fan Club

The Audit Fan Club met again in November. Jack purchased pizzas and soda for the meeting on November 15; this time he purchased the correct number of pizzas. For this month's meeting, a special guest will be speaking. \$1,000 was budgeted for the November guest speaker's fee. No other events took place in the month of November.

On the next slide, we'll review the Audit Fan Club financial statement for the month of November.

Audit Fan Club
Dept ID: A900XXX

PeopleSoft Transaction Detail
Month Ended November 30, 2010

Account	Account Description	Amount	Vendor	Description	Date
5450	Consumable supplies	\$45.50	Pizza King		11/15/10
5450	Consumable supplies	\$8.97	CVS		11/15/10
5120	Professional Services	\$3,500.00	Alicia Simmons		11/15/10
5450	Consumable supplies	\$45.50	Pizza King		11/16/10
6001	Misc IDR Charges	\$469.83	--		11/25/10

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Case Study - Audit Fan Club

- Financial Statement Issues
 - Pizza expenses appear to have been submitted twice: once for the day of the meeting and once for the day after
 - What was purchased at CVS? Soda? How do we know?
 - The speaker fee was budgeted at \$1,000 not \$3,500. How was the guest speaker chosen?
 - What is the IDR charge on 11/25? This charge was posted on a holiday.

Financial Statement Review Tips

- Pull out the budget and compare budgeted expenses to actual expenses
 - Identify when you have gone over budget so you can request additional funds or adjust activity expenditures for the remainder of the year
- Maintain records and pass them down from year to year
- Compare current financials to prior year financials for annually recurring events

For next year - insert actual financials

- Get permission to use one group's budget and financials from prior year
- Highlight events on budget and financials to show budget to actual comparison
- Create budget to actual template and show that as well (could be emailed to students) - columns: budget, actual, notes (how many attendees, etc)

What to do if you identify potential fraud or error?

- Do not assume that it is a one time occurrence
 - Reduce the likelihood that it will occur again by bringing it to the attention of the appropriate party
- Ask questions of the signatories, TCU Treasurer, or the Campus Life Finance Office
- If you suspect that you are being intentionally misled or are pushed away, seek assistance from AMAS
- AMAS is always available to assist you



Wrap-up

In Summary

- Controls can help you manage your day-to-day operations and achieve your goals
- Examples covered in this workshop may not address all possible risks - keep your eyes open for other areas where things could go wrong
- AMAS is available to provide guidance and support in addressing risk and suggesting internal controls

Any Questions?

How to contact us:

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