

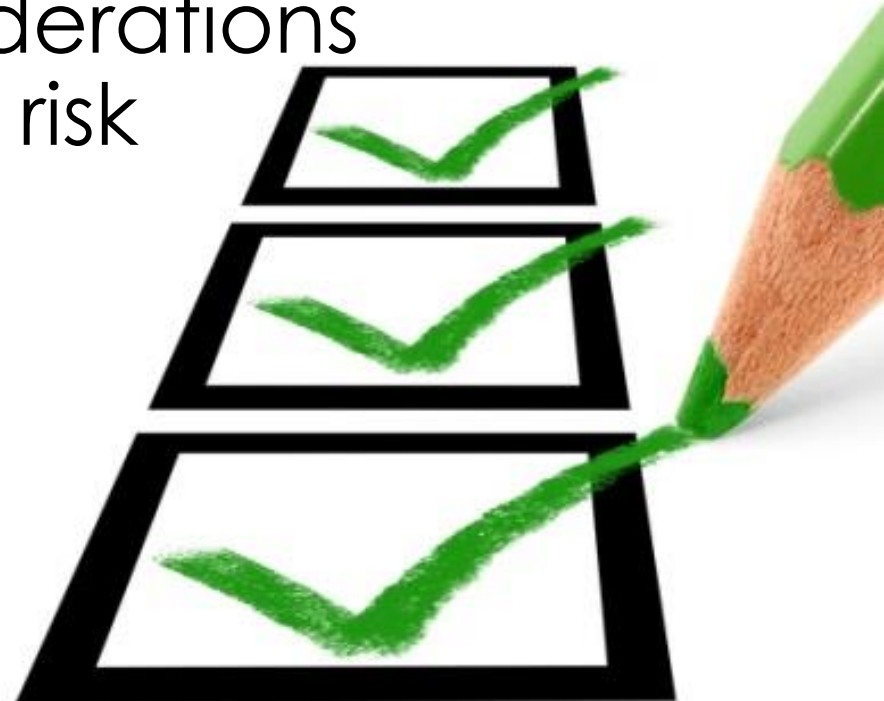
Addressing Fraud Risks in a Remote Environment

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Objectives

- ▶ Identify potential fraud risks related to a remote and geographically dispersed workforce
- ▶ Identify control considerations to address the related risk exposure



Furloughs and Layoffs



How have furloughs and layoffs affected your organization's:

- Processes
 - Reporting structures
 - Working environments
 - Morale
-
- Fewer individuals involved means more opportunities for:
 - Breakdown of SOD
 - Management override of controls
 - Lack of formal documentation of controls (evidence)

Furloughs and Layoffs



- Do you have good procedures for transfer of knowledge?
- Have other employees been trained on these procedures and has cross training of employees been performed?
- Have control activities previously performed by individuals no longer with the organization been communicated to an appropriate replacement?

Remote Working Environment

A remote environment can create additional challenges for collaboration within your organization

- Collaborative discussions can be more time consuming as we navigate new obstacles related to varying home schedules, interruptions at home, technological issues
- Employees may be under additional stress resulting from the new remote work environment

Internal Audit Response



- ▶ Adjust from criticizing to advising throughout the process.

- ▶ Avoid being on the outside looking in.
 - » Governance
 - » Risk Assessment
 - » Audit Plans
 - » Environmental Sustainability, Social Responsibility, and Governance (ESG)

Governance

- IA has the opportunity to increase value added services through taking part in the governance process.
- This includes evaluating anything from policies, to monitoring and reporting, and everything in between.

Risk Assessment

- This is the perfect time to update the organization's risk assessments!
 - The pandemic may have changed the organization's strategic and operational plans
 - Internal Audit should be aware of these plans and how they've changed, in order to properly evaluate processes and controls

Audit Plans

Audit plans should be updated regularly

- To account for changes to the risk assessment
- To include audits of processes that were developed or changed as a result of the pandemic
- To minimize interference with activities related to the pandemic response

ESG Considerations

Environmental sustainability, Social responsibility, and Governance

- ESG will receive heightened attention through organizations
- IA is in a unique position to help lead these efforts

Risk Responses and Control Considerations

The remote working environment has heightened the risk of fraud in some areas and created new fraud risks in others

- Segregation of Duties
- Cash Disbursements and Receipts
- Employee Productivity
- Physical Access
- Network Security
- Insurance Claims
 - Worker's Comp.
 - Medical
 - Liability

Segregation of Duties

The remote working environment has created the need to get creative with the ways in which we segregate critical duties

- Cash handling / processing duties
 - Disbursements
 - Receipts
- Transaction processing (e.g. journal entries, invoice processing, banking transactions)
- Other critical reviews and approvals

Cash Disbursements and Receipts

Who has custody of your cash and/or checks?

- Where does check disbursement processing happen?
 - Are employees cutting and mailing checks from home?
- What about cash receipts?
- Banking portal access, authorization limits, and dual controls
- What detective reviews do you have in place?
 - What are the critical transactions are you reviewing?

Employee Productivity and Related Expenses



How do you ensure that time and expenses reported by employees is valid and accurate?

- How do you validate hourly employee time in a remote environment?
- How do you ensure that employee expense reports are valid and accurate?

Physical Access

Facilities, generally a low risk area on risk assessments in the past, has some new risks in this environment

- Main fraud risk relates to safeguarding of assets
 - How do you ensure only authorized individuals have access to your facilities?

Other non-fraud considerations

- How do we ensure safety of individuals at our facilities?
 - Internal and external parties
- Do we have appropriate insurance coverage at our facilities?

Network Security

- Access to critical applications – how do you ensure that personnel are provided appropriate access?
 - How do you monitor this access?
 - Do you monitor changes to critical access?
- How do you protect against phishing attempts and malware?

Insurance Claims

- Risk of fraudulent claims related to:
 - Worker's Comp.
 - Medical
 - Liability
- What procedures / controls are in place to verify validity of claims and monitor claims activity?

Let's Connect!

