

COLLEGE & UNIVERSITY

# AUDITOR



## RETALIATION AT THE UNIVERSITY:

### THE CONSEQUENCES OF REPORTING \$2.3 MILLION IN FRAUD

#### INSIDE:

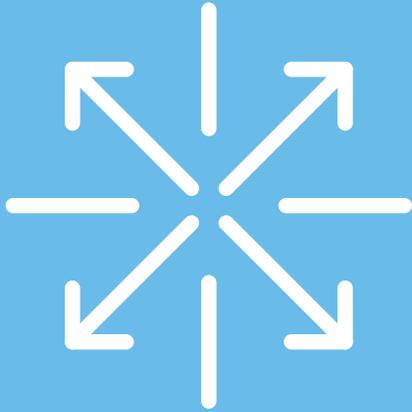
**Auditor Turned Faculty Member**

**Demonstrating Value to Our Stakeholders**

**Increasing Leadership Effectiveness Through  
Reflective Practice**

**Everything You Wanted to Know about Fraud  
Investigations but Were Afraid to Ask**

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ACUA members are invited to submit letters and original articles to the editor. Go to [www.ACUA.org](http://www.ACUA.org) and click on the Resources – *College & University Auditor* journal for further guidelines. The editor reserves the right to reject, abridge or modify any advertising, editorial or other material.

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# LETTER FROM



## THE EDITOR

By Sam Khan, CISA  
Editor

Welcome to the winter issue of College and University Auditor. We have a great set of articles to help get you inspired and more productive in 2016.

In this issue, Marina Buckley and Justin T. Noble show how the relationship between internal audit and the athletic department can extend beyond NCAA compliance risk. After reading “Being a Team Player: New Ways to Collaborate With Athletics,” you will learn the seven strategies to improve your relationship with the athletic department and the three high-risk areas internal audit should consider auditing.

John H. Straub, the author of, “Everything You Wanted to Know About Fraud Investigations but Were Afraid to Ask,” warns readers about conducting a fraud investigation. Straub identifies the key risks that could expose you to a lawsuit and outlines the steps to avoid one.

Rachel Snell discusses how internal auditors can build trust and respect with their clients in her article “Demonstrating Value to Our Stakeholders.”

Amy Block Joy tells her story of how discovering an error in a spreadsheet led to unexpected consequences in “Retaliation at the University: The Consequences of Reporting \$2.3 Million in Fraud.”

In Sonya von Heyking’s column, “Auditor Turned Faculty Member: Lessons Learned Part II” asks what proportion the average internal audit plan directly addresses how education is achieved?

“Increasing Leadership Effectiveness Through Reflective Practice,” by James Sartain and Kathryn Davanzo examine how only armed with a set of questions you can help uncover blind spots in your thinking that can lead to better analysis, decision-making and improved influence.

Volunteering for the journal  
is a great way to give  
back to the profession.

As always, I encourage your feedback. I am interested in hearing about topics you would like to see in future issues of the journal. I would love to hear your thoughts about improving the journal. Please feel free to contact me at (541) 737-7336 or [sam.khan@oregonstate.edu](mailto:sam.khan@oregonstate.edu).

Thank you to all the people who helped make this issue possible. Volunteering for the journal is a great way to give back to the profession. ■

# LETTER FROM



## THE PRESIDENT

By Vijay Patel CFE, CISA, CPA  
President

Greetings ACUA Friends and Colleagues:

On behalf of the ACUA Board, I would like to wish our ACUA family and friends a Happy and Prosperous New Year.

Looking back over the handful of months that I have served as president has confirmed why I love ACUA so much. It's the core values of our organization:

- Integrity;
- Open Sharing of information;
- Camaraderie;
- Respect;
- Commitment to excellence;
- Innovation.

Most importantly, it's about the members who we serve. It's the smiling faces that I see at our conferences and the volunteers who work throughout the year to keep the organization running like a well-oiled machine.

As of January 1, 2016, Applied Measurement Professionals, Inc. (AMP), who provides us with executive office management services became part of Kellen, the global leader in association and communications services. The operation and transition will be seamless to the membership. The merger will bring more resources for the ACUA Board to utilize as we grow.

To continue serving institutions of all sizes, we have made some significant changes to our membership dues structure.

To continue serving institutions of all sizes, we have made some significant changes to our membership dues structure. Membership statistics shows that the majority (or 75%) of ACUA members are in smaller departments of one to five people, and nearly half of the membership is comprised of one to two-person departments. In analyzing the membership statistics, the committee recognized that some small departments were paying the same or similar rates to the larger departments because the current structure is based on the number of institutional employees which may not always be proportional to the number of internal auditors.

The following structure bases dues on the number of staff in the Internal Audit department, and other members that you wish to be covered under your institution's membership, and seeks to establish equity between smaller and larger departments with fees comparable to the benefits received.

Number of Members Served	Dues
1	\$175
2-3	\$350
4-6	\$550
7-9	\$800
10-12	\$1,100
13-15	\$1,400
16-20	\$1,800
21 and over	\$2,000

The above dues structure was approved by the membership at the September 2015 annual business meeting in Indianapolis.

During late summer of 2015, we said farewell to ACUA-L (our list serve), which has served ACUA for many years and which was my encyclopedia. As technology advances, we must too and the Board implemented the ACUA-Communities, which is forum based and which the membership has embraced. It seems to be operating well.



Congratulations to Cate Neely of the University of Kansas, on being recognized by The Institute of Internal Auditors as an Emerging Leader in the Internal Audit Profession.

I look forward to seeing all of you at our Mid-Year Conference, April 10-13 2016 in Portland, Oregon. ■



Vijay Patel CFE, CISA, CPA  
ACUA President

# Auditor Turned Faculty Member: Lessons Learned Part II

By Sonya von Heyking, CA, CIA, CCSA, CRMA

You see, part of what makes me an engaged teacher is my connection to the audit profession and the energy that that connection provides.

I missed out. The spectacle of fellowship that is the ACUA Annual Conference passed by while I was in the classroom with a fresh assembly of undergraduates. It's been a year and a half since I left internal audit—that sounds like a confession—and I am already looking at brochures for Miami 2016.

You see, part of what makes me an engaged teacher is my connection to the audit profession and the energy that that connection provides. Conversely, I am eager to share my experience in the academic world with my internal audit colleagues. It's a duality fueled by the joy of both roles. Yin and yang. Bert and Ernie. Pick your pair.

So, share I must. Today I unpack more insights from the divided mind of an auditor-turned-faculty-member with the genuine hope that they allow the reader to explore some unfamiliar but rewarding spaces. Like our conferences, we learn more together than we do apart.



## ABOUT THE AUTHOR

*Sonya von Heyking, CA, CIA, CCSA, CRMA, is the Director, CPA Bridging in the Faculty of Management at the University of Lethbridge. Combining the best of both worlds Sonya works with students in the classroom as an accounting instructor, and with fantastic colleagues and partners in promoting the success of students in the CPA Bridging Program. Before joining the faculty Sonya served for eight years as the Director, Internal Audit and three years in public practice with a Big Four firm. Sonya holds the Chartered Accountant, Certified Internal Auditor, Certification in Control Self-Assessment and Certification in Risk Management Assurance designations.*

## EDUCATION MISSION IN THE AUDIT UNIVERSE

All colleges and universities exist to educate and develop students. You will find this statement, in one form or another, in every school's mission. And yet, what proportion of the average internal audit plan directly addresses how this education is achieved?

Despite internal audit's understanding of the core purpose of our institutions, I think auditors hesitate to venture into the academic sphere; we are wary of applying our models to the seemingly subjective and other-worldly aspects of higher education. But if auditors are serious about moving *away from* the old "controls and compliance" label and *toward* strategic relevance, I think we have to find a way to do just that.

The harder question is "How?" Admittedly, I don't have a ready answer. But I do have a talented group of colleagues (you, the readers), so we will treat it like a big group project. I'll start.

## THE BEGINNING OF A CIRCLE

Instructors must create course content and the design of its delivery to their students. Students thus engage with the content through lectures, assignments, and exams in various formats. Students glean from the material and key learning objectives what they see as useful to apply in some meaningful way outside of the course. Instructors measure the degree to which such outcomes are or appear to be achieved and then adjust content and design accordingly to optimize results.

This circle of teaching-learning-measuring-adjusting is unmistakably linked with the mission of student education. Identifying points on this circle where auditors can add value isn't as tricky as it may seem. Let's start with one.

This circle of teaching-learning-measuring-adjusting is unmistakably linked with the mission of student education.

## COURSE DESIGN AND DELIVERY

Creating course content and designing its delivery, even for the fourth time, takes a lot of time and effort. They require establishing learning objectives, curriculum, testing methods, and information feedback pathways. It's a lot like planning a complex audit and necessitates the same level of preparation and deliberation. Consequently, they also command resources.

Do we have the right resources? Auditors should look around their institutions and evaluate the availability and effectiveness of resources for creating course content and designing its delivery. For example, are extensive course content sources and technology-enabled teaching tools available and easy to use? Do support centres exist to facilitate their use in building course content and designing its delivery?

Course delivery includes learning assessment. Does your school have a testing centre? If so, is it adequately funded and supported to deliver services as needed? Do the processes support the pedagogy in a way that encourages participation?

Are technology-enabled teaching tools as effective as we believe? In the rush to embrace blended learning, we may inadvertently dismiss methods that work better. For example, I recently eliminated some online assignments in the course I teach because they were not the most effective way to learn and demonstrate knowledge of the material. There are times when students need to accomplish their assignments in more conventional ways.

Auditors are natural researchers and problem solvers, and the most thought-provoking projects could be waiting in the most nontraditional areas.

Auditors may not be the guardians of academic programming but supporting student learning and performance is not synonymous with interfering in academic freedom. Auditors are natural researchers and problem solvers, and the most thought-provoking projects could be waiting in the most nontraditional areas.

Traditional audit plans won't provide a road map for these kinds of review. People will. Developing the scope and plan is likely as easy as a couple of conversations over coffee with faculty, students, and staff. An attentive listener can garner the audit's purpose and approach if they make student learning the objective.

## LEARNING THROUGH COLLEGIALITY

Persistent curiosity delivered me to internal audit and sustains me as a teacher. Moreover, I am never afraid to be wrong. As Pablo Picasso declared, "I am always doing that which I cannot do, in order that I may learn how to do it." So while I haven't fully articulated what my proposed audit plans would look like, I am absolutely confident in their potential impact. Perhaps we can define it together at the next conference? After all, how we connect with one another for learning is more important than what is taught. Until then I will be thinking about the next point of the circle. ■

# Demonstrating Value to Our Stakeholders

By Rachel Snell, MPA

It is common to hear an internal auditor say they add value to their organizations, but rarely do we hear our stakeholders using the same phrase to describe internal audit. Although this form of audit speak is heard throughout our industry, those on the receiving end of our work do not always see the value in our messages. To add fuel to the flames that sometimes erupt as a result of an audit report, those charged with governance and leadership of our institutions may be opposed to change or unwilling to accept the need to change. The irony is that institutions of higher learning seek to teach students to be future leaders and pride themselves on developing success among generations, but stakeholders within these same organizations are often disinterested in learning about value auditors provide. So how do auditors not only add value but demonstrate such value within institutions of higher learning?

First, we have to understand the mindset and culture of the higher education industry. Traditionally, institutions are viewed as good places to work, with long-standing tenure and good employee benefits. One primary benefit of long-time employees is their institutional knowledge; however, these same individuals are more likely to want to do their work “how it’s always been done.” Many either do not see the need to change, or fear change altogether. Within the ranks of governance and leadership, there is strong encouragement to research and develop groundbreaking programs or new ways to bring more dollars to the institution. Audit reports may be seen as a risk to the institution’s reputation, which could either discourage students from attending or serve as a barrier to obtaining new sources of funding. Also, employees see auditors as nothing more than a negative impact on the already high workload. Decades of these sorts of sentiments are difficult to change without having inside help and some out-of-the-box thinking of our own.

After understanding the culture, auditors should work towards developing an audit plan that not only addresses the risks of the institution but also gives the organization the help it needs. By learning and ranking the top business areas of the institution that are vital to its success, and dedicating audit resources to reviewing and improving efficiencies and effectiveness in those areas, Internal Audit not only increases its understanding of higher learning like a business. This approach also demonstrates Internal Audit’s ability to care about the success of that business. Showing governing boards and leadership Internal Audit’s interest in the institution itself, and not just “looking for what’s wrong” lays a foundation for building trust and respect. Auditors should actively attend meetings, campus events, and spend time conversing about subjects other than audit.

After understanding the culture, auditors should work towards developing an audit plan that not only addresses the risks of the institution but also gives the organization the help it needs.

When building rapport within the institution, it is also important to focus on showing stakeholders who YOU are as an auditor, but also as a person. Upholding the audit standards and remaining independent and objective sets an example that you are fair and consistent, but your tone and demeanor convey a sense of approachability. Actively spending time with those we are auditing to understand programs and operations at the detail level allows us



## ABOUT THE AUTHOR

*Rachel Snell, MPA, has over 15 years of experience in public and private sector, starting her career in fraud and collections in banking and working as an internal loss investigator in retail. After receiving her graduate degree, Rachel began a career of public service working in federal, state, and municipal government. Having worked in audit for the State of Texas and City of Austin, Rachel now serves as the Director of Internal Audit for the Coast Community College District in Orange County, CA.*

to empathize with barriers to success, but also increases our ability to suggest ways in which functions could be streamlined, expenses could be reduced, or program performance could be improved. While our mantra is adding value, our institution's mantra is "for the benefit of students." Showing stakeholders how our work benefits students, combined with partnering with our stakeholders in pursuit of success, increases the odds that our messages will more likely be heard and our recommendations will be implemented.

At the end of the day, auditors that steer clear of the audit jargon and focus on the stakeholders not only clears up misperceptions of auditors but also improves the understanding of Internal Audit's value one stakeholder at a time. The more non-auditors on campus that can share their positive experience and the value received from Internal Audit, the more that the governing boards and leadership will accept Internal Audit's role within the institution. For some, no matter what efforts we make, there will always be those who resist change and deny the value of audit services. Despite the challenge, we will continue to persevere by having confidence in ourselves and pursuing new ways to show our value to the organization.

At the end of the day, auditors that steer clear of the audit jargon and focus on the stakeholders not only clears up misperceptions of auditors but also improves the understanding of Internal Audit's value one stakeholder at a time.

# Increasing Leadership Effectiveness Through Reflective Practice

By James Sartain, MBA, PhD and Kathryn Davanzo, M.Ed.

What was I thinking? For many of us, this one simple question prompts anxiety and lays the groundwork for regret. It is a question that we typically ask ourselves after we have made the wrong decision, chosen the wrong option, or acted without thinking at all. This question is often the first step of a prolonged process of self-flagellation that follows. In the emerging field of cognitive leadership, however, researchers and leadership development practitioners are trying to rehabilitate this question by using it as part of a strategy for rigorous self-reflection. When done as part of a structured and systematic process, questions about our thinking can help unlock new and powerful insights required for enhanced performance.

Reflective practices help us to rigorously examine our thoughts, beliefs, and perceptions with consideration on what could have been done differently to obtain better results. In many ways, a reflective practice is like a cognitive audit. Similar to a financial audit, a cognitive audit verifies that what is believed to be factual is, indeed, factual. Through a systematic review, both audits help us to find errors and identify misrepresentations of fact. Through the use of reflective practices, we are concerned with identifying our blind spots or faulty thinking. For example, what are some possible thinking errors or cognitive distortions that may have led to a faulty conclusion? What are some possible factors that may be getting in the way of seeing the situation as it really is? Just as a financial audit often leads to a management letter with recommendations for future actions, reflective practice can lead to a customized course of action designed to address deficiencies in thinking and acting.

Reflective practices involve, at the core, the identification of a set of questions that an individual would consider at the deepest level of self-awareness, targeting a particular area of deficiency or challenge. Two of the most common reflective practices include After-Event Reviews (AERs) and targeted journaling. Each of these activities provides a structured and deliberate way to prompt deep-level thinking to identify what impacted, or should have impacted, our actions and decisions. AERs, for example, require individuals and teams to scrutinize, after the fact, a project or event to determine what went right, what went wrong, and what could be done differently in the future. Similarly, targeted journaling involves a leader completing a set of customized questions that relate to a specific issue or challenge and to help facilitate insights into perceptual blocks and incomplete or biased thinking. Although typically conducted as part of a coaching intervention, research has shown that independent journaling can also lead to better decision-making and improved performance. The following is an example of how targeted journaling, conducted as part of an executive coaching engagement, led to improved leader performance.

“John” was referred for executive coaching as a result of complaints that he was not a team player and that he acted in ways that diminished or discounted the ideas and input of his peers. In the initial session, John shared that he was confused by the negative reactions he routinely experienced from co-workers and support staff in his department. He described the reactions of others as sarcastic and periodically hostile. After a bit of discussion, it appeared

Reflective practices involve, at the core, the identification of a set of questions that an individual would consider at the deepest level of self-awareness, targeting a particular area of deficiency or challenge.



## ABOUT THE AUTHORS

**James P. “Jim” Sartain, MBA, PhD, and Kathy Davanzo, M.Ed.,** are founders and principal partners of CODA Partners, Inc., a professional services firm specializing in leadership and organizational development initiatives. They are co-authors of *Connected Leadership: A Yearlong Exploration of Your Leader P.O.V.*®

*Jim is an industrial/organizational psychologist whose training and research is primarily focused on cognitive leadership. His research has led to leader development frameworks including Leader P.O.V.®, Connected Leadership, and the Grounded Theory of Leadership Self-Identity Development.*

*Kathy is a nationally known speaker and trainer with thirty years of professional speaking, training, and human resources leadership experience. Kathy’s speeches and workshop are designed to increase leadership capacity through development of a strong Leader P.O.V.® (Point of View) and in developing competencies to become a more connected leader.*

that John experienced these reactions when he tried to step in for his supervisor by offering supplemental supervision to people who did not view him as their supervisor. Although he could agree that the trigger point for the reactions all appeared to occur when he tried to provide direction or feedback, he didn't understand why they were not receptive to his attempts to help. After all, he had seniority in the department and was well versed in the various functions represented by the team. Given that the team supervisor was engaged in a big project that had him increasingly disconnected from the team, John believed he was filling the gap in leadership and acting in a professional and responsible manner. He believed his knowledge and experience should have been welcomed, respected, and appreciated.

The cognitive audit began with the identification of priming questions from the coach to isolate the potential reasons why he was not experiencing the intended reactions. Initial priming questions included:

- What do you believe are the reasons team members are not receptive to your feedback and instruction?
- Putting aside the fact that you are not their formal supervisor, what else could be getting in the way of their willingness or ability to receive your feedback and direction?

These priming questions helped John to identify, with coaching assistance, additional questions that he wanted to take the time and fully consider including:

- How do I think I come off to my co-workers and what evidence do I have that this is actually the case?
- What are some of the factors that may be contributing to their perceptions of me and which ones can I influence?
- What do I really want for myself in these interactions with my co-workers?
- What do I really want for my coworkers and how would I act if I really wanted these things to happen?

Over the course of several weeks, John thought about these questions and captured his responses in a journal. He shared his journal entries as part of the coaching sessions. To help clarify and expand thinking, the coach would push back on some of John's answers or prompt him to more deeply think about his responses to gain additional or more complete levels of insight. John responded well to the journaling activity and even admitted that it was the first time in his career that he had actually taken the time to consider how he thought and behaved in a structured way.

Our research has shown, time and again, that employing a reflective practice prompts deep thinking about the self, the context, and the challenge.

Over time, John was able to come to an understanding that it was his approach to his peers that was the true barrier to influence. Through the coaching experience, he acknowledged that he typically offered his direction and feedback whether solicited by others or not. He discovered that his timing wasn't optimal, often providing feedback and direction after a missed deadline or a mistake rather than as guidance before action was taken. Eventually, he even developed awareness that his style of communication, characterized by a fast and urgent tone and an over-reliance on declarations rather than questions, was off-putting to virtually everyone. At the end of the coaching intervention, John completely adjusted his approach and repositioned himself from a person who imposed his approach on everyone to one who was a valuable resource if assistance was needed. He worked actively to change the tone and pace of his speech and he began to be more cognizant of the statements he made and the questions he asked; making sure he did the latter with greater frequency than the former. He is well on his way to being viewed as a trusted and valuable colleague.

Our research has shown, time and again, that employing a reflective practice prompts deep thinking about the self, the context, and the challenge. This thinking then invariably leads to better analysis, decision-making, improved influence, and more effective outcomes. Consider employing a reflective practice the next time you feel stuck, have a persistent problem, need to prepare for a tough conversation, or when you want to identify why you aren't getting the reaction you expect from others. The answer may very well lie deep within. ■

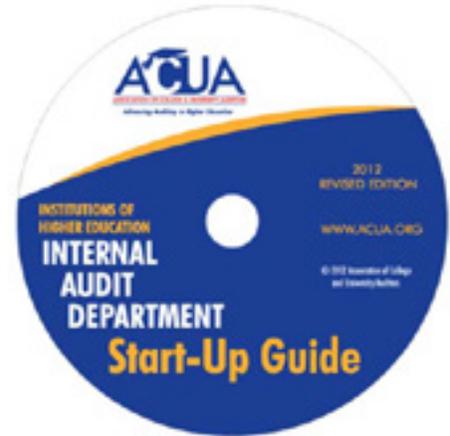


## INSTITUTIONS OF HIGHER EDUCATION

# INTERNAL AUDIT DEPARTMENT

# START-UP GUIDE

The primary purpose of this guide is to serve as a reference tool, one of many you will likely use as you establish an audit function that best fits the needs and resources of your organization. The information and examples have been collected from very successful audit shops and truly represent many of the best practices in higher education internal audit. They may or may not fit your needs, but they will all provide valuable guidance and ideas as you work to establish your new audit department.



Contents of this guide include:

- Establishing the Authority of the Department with sample charters and policies
- Getting the Department Operational, with concrete advice on risk assessments, annual planning, quality assurance, fraud investigations, and marketing the new department
- Reporting to all constituencies, including examples of reports used by ACUA members
- List of resources and key terms
- And so much more!

Please contact the ACUA Executive Office at [acua-info@goamp.com](mailto:acua-info@goamp.com), call 913.895.4620 or visit the ACUA Store on ACUA's website [www.acua.org](http://www.acua.org) for more information.

# Everything You Wanted to Know about Fraud Investigations but Were Afraid to Ask

By John H. Straub, CPA, CFE, CIA, MAFF

Tensions are high on both sides of the parties involved in an investigation.

Conducting a fraud examination can be a perilous undertaking that should be dealt with an elevated sense of awareness to avoid pitfalls that can damage your career path, your employer, suspected perpetrators and other parties to the investigation.

Tensions are high on both sides of the parties involved in an investigation. While you as the investigator are sifting through transactions to locate incontrovertible evidence that assets have in fact been extracted or corruption has taken place, suspects are hoping that you will make mistakes that will turn the course of the investigation making you the target of a counter-claim.

Typical counter-claims launched include defamation, malicious prosecution, false imprisonment, invasion of privacy, extortion, emotional distress and assault & battery. From a practical viewpoint as an investigator and not as an attorney, I've found the following information helpful to avoid adverse situations.

Defamation counter-claims can be filed when false statements are made orally or in writing with the intent of damaging a suspect's reputation. The defense to this allegation is not to make any false statements. Keeping the investigation "close" by restricting findings to the investigation team is imperative.

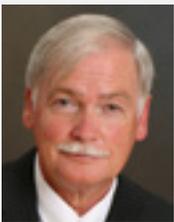
The investigative team may be exposed to additional risk in the event the case against the suspect is dismissed by the trier of fact (judge or jury) for lack of probable cause or the support presented does not yield a guilty verdict. In these types of situations the defendant may file a malicious prosecution counter-claim that the investigative team rushed to judgement with reckless disregard for the facts with intent to harm the defendant. If the defendant is successful in this counter-claim, the investigative team may face either or both civil damages and criminal prosecution. To avoid a malicious prosecution counter-claim the investigation team should refrain from rushing to judgement, identify incontrovertible evidence and don't press authorities to prosecute.

Incontrovertible evidence is established when there can be no other possible explanation for an event. Beware of "false positives"! Inevitably an investigator will find a piece of information that appears to be solid evidence, but in reality it is merely an error. To avoid false positives the investigator must ask the hard questions and consider other possible reasons for the anomaly.

False imprisonment occurs when a suspect is disallowed freedom of movement either by physical barrier or verbal command. The defense for this counter-claim is not to block the suspect from leaving the interrogation room, such as, locking the door or placing them in a position where they feel compelled by you they are not free to leave the interview or interrogation.

Venturing into areas of seclusion where the suspect is protected by company policy can lead to the filing of a counter-claim against the investigator. Invasion of privacy claims can be avoided by referring to company policies that address where the employee is protected, such as, locked desks or lockers where the only keys are in control of employees.

To avoid a malicious prosecution counter-claim the investigation team should refrain from rushing to judgement, identify incontrovertible evidence and don't press authorities to prosecute.



## ABOUT THE AUTHOR

*John H. Straub, CPA, CFE, CIA, MAFF, is the founder of Straub Accounting, LLC specializing in forensic accounting. Mr. Straub investigates suspected fraud, testifies as an Expert Witness, performs business valuations, damage calculations, assists in dispute resolutions and instructs CPAs & internal auditors in fraud matters.*

Extortion counter-claims may occur when suspects are threatened with financial penalties for not acquiescing to the demands for a confession of guilt for a suspected fraudulent act. Threatening a suspect that unemployment benefits will be lost, criminal prosecution will be filed, or denying other benefits may become a prescription for an extortion claim.

Suspects may file a counter-claim of emotional distress against the investigator, or even worse, assault & battery. To avoid these types of claims investigators should not engage in outrageous behavior, such as, throwing items, slamming fists on desks, stomping feet, getting in the face of the suspect, shouting, pushing or touching the suspect in any manner.

The investigator should be mindful of the “Law of Unintended Consequences” where a purposeful action may not take into account other events that may result from the intended action. Collecting evidence is a path that should be carefully followed.

Practicing the concept of “Situational Awareness” is one method to avoid unintended consequences by knowing exactly where you are in the investigative process. “Situational awareness is the ability to identify, process, and comprehend the critical elements of information about what is happening to the team with regards to the mission. More simply it’s knowing what is going on around you.” — Wikipedia.

When practicing Situational Awareness, the investigator should be mindful of variables that can defeat the goal of achieving an accurate assessment of the investigation situation. Those variables include resignation, invulnerability, impulsiveness, or harboring an anti-authority or macho attitude. Introducing any one of these variables into the investigative process can result in disaster.

In summary, performing an investigation can be an exciting and rewarding endeavor that requires professionalism and constant self-assessment.

Under the influence of resignation an investigator may believe that whatever he or she does in the investigation process has no effect. In other words, “whatever I do has no impact”. Invulnerability generates false confidence and opens the investigator to making poor decisions. Impulsiveness opens the door for investigators to rush to judgment without performing due diligence.

Harboring an anti-authoritarian attitude can cause investigators to break the rules in order to reach the goals of the investigation. Macho attitudes can prevent the investigator from seeing his faults in the execution of the investigation.

In summary, performing an investigation can be an exciting and rewarding endeavor that requires professionalism and constant self-assessment. Training, planning, patience, control and conducting a lawful investigation will result in successful results that withstand the scrutiny of the Trier of Fact. ■

# Retaliation at the University: The Consequences of Reporting \$2.3 Million in Fraud

By Amy Block Joy, PhD

Troubled by their explanations or lack thereof, I inspected the files.



## ABOUT THE AUTHOR

*Amy Block Joy, PhD, University of California Faculty/Specialist Emeritus, was employed by the University of California (UC Berkeley, Office of the President, UC Davis) for 33 years. After receiving her PhD (UC Berkeley) in 1979, she began her career in 1980 as a scientist, educator, and administrator. Dr. Block Joy is the author of numerous publications and two books, Whistleblower (2010, Bay Tree Publishing, California) and Retaliation (2013, CreateSpace, South Carolina). She teaches an undergraduate class in ethics at UC Davis and speaks at universities and conferences about her ethical journey. She can be found online at: [www.amyblockjoy.com](http://www.amyblockjoy.com).*

I'm a scientist by training and profession. For 26 years, my university career was devoted to improving the health of low-income populations. In 1994, while on the faculty of a major public university, I received a million dollar grant and became the director of a federal poverty program.

By 2006, my program's annual budget had grown to \$14 million. Reviewed and audited by the federal agency more times than I could count, I was confident that things were running smoothly.

I was wrong.

So let's go back in time to February 27, 2006, the day I discovered an error on a spreadsheet. I had been working on a \$60,000 project budget at home and had left my copy of the spreadsheet there.

Arriving at work, I asked my administrative manager to bring me the file copy. She did so promptly. I noticed that the file copy was different: this spreadsheet had a \$210,000 budget. In the margin was a handwritten note made by my manager: "\$150K for Chair."

I ran upstairs to show the spreadsheet and note to my supervisor, the department chair. He waved it off as a math error. I returned and spoke with my manager, who assured me the error would be corrected.

Troubled by their explanations or lack thereof, I inspected the files. It didn't take long to discover a questionable purchase order (PO) in a red folder labeled "CHAIR."

This PO had numerous red flags: inappropriate approval (director hadn't approved); no separation of duties (my manager purchased and approved); uncommon description (Canon Optura 600); questionable handwritten instructions ("Pick Up from Vendor"); and a cost (expensive) and vendor (a popular electronic goods store) that were suspicious. Stunned, I called the vendor. I learned that my manager had purchased a DVD camcorder for \$1,400. This purchase appeared to be inappropriate under our federal guidelines because we didn't create DVDs.

## COULD THIS BE EMBEZZLEMENT?

Policy dictated that I report the alleged misuse to my supervisor, the department chair. I was concerned that such an allegation would get *me* in hot water. Also, I couldn't fathom that my hardworking and well-paid manager would take such a risk.

I wasn't sure what to do. Over my almost three decades at the university, I'd not received fraud training. In my academic world, we were expected to get along with everyone—especially the department chair.

Policy dictated that I report the alleged misuse to my supervisor, the department chair. I was concerned that such an allegation would get *me* in hot water.

I decided to employ a direct approach. If this purchase was a misuse of funds, I knew my duty was to report it. After two days of soul-searching, I did some scientific research: I watched episodes of *Law and Order* on television.

I tried to anticipate how my manager might react: Would she be angry? Would she be frightened? I prepared a brief, fact-based letter and attached the questionable PO. On March 2, 2006, my manager and I went to the chair's office.

I handed a copy of the letter to her and the chair, read its contents out loud, and then asked, "Where's the DVD camcorder?"

"It's in my garage," she replied.

My instructions were for her to repay the funds to the university and write a letter of explanation. "Your position will be revised, and you'll be monitored for six months," I added.

The chair interrupted, "You'll return the item to the store. Amy's letter will go into my vault."

My manager, not the least bit upset, stated that this was a one-time mistake and left.

After she had left, the chair seemed upset at *me*. "Everyone does it," he snarled. Using other euphemisms, he continued, "You're overreacting. This is no big deal. It happens all the time at the university. You're out of step with the rest of us. You're too strict. Isn't she your friend?" He finished by saying, "This is my responsibility."

When I began to argue that this needed to be reported to the dean's office, he countered with a threat. "People are complaining about you," he said. Shocked, I bit my tongue.

The next day, my manager, unable to return the item, gave me a check made out to the university, wrote a letter of explanation, and signed her new position description.

### IS FOLLOWING POLICY ENOUGH?

Although I'd followed policy by reporting the allegation to my supervisor, I remained uncomfortable. *This wasn't enough.*

For the next five months, the chair, the vice-chair, and I went around and around. Trying to convince the department heads that we, as custodians of federal funds, had the responsibility to report wrongdoing, I sent e-mails requesting permission to report the issue to the dean's office.

Aware that going over the chair's head could be curtains for me; I tried to persuade the chair to take ethical action. He refused.

For the next five months, the chair, the vice-chair, and I went around and around. Trying to convince the department heads that we, as custodians of federal funds, had the responsibility to report wrongdoing, I sent e-mails requesting permission to report the issue to the dean's office.

In August, my manager began to approve purchase orders without going through proper channels. When I stripped her of all responsibilities, one of her staff members called me. "Your manager is submitting false travel," she asserted.

*How could this be? My manager doesn't travel!*

I asked, "How much?"

"About a thousand a month for two years," she replied.

The next morning, I drove to Accounts Payable and reviewed several months' worth of documents for my manager's fictitious trips, all approved by the chair. I reported the allegations promptly to the vice-chair.

“Yes, the chair and I were both suspicious about her travel,” the vice-chair admitted on August 24, 2006, at 3:30 p.m.

“Please call the dean’s office,” I pleaded. He refused.

“This is my responsibility,” he said. “Sit tight. Do nothing.”

Outraged, I speculated that the chair and vice-chair had no intention of reporting up the chain of command. Instead, in fact, they were about to tip off the manager.

That evening I read more about whistleblowers. I saw that those who exposed wrongdoing often suffered enormously. But that realization didn’t deter me. I would sound the alarm because it was the right thing to do.

I wrote a whistleblower report and signed it. At the time, our university didn’t have an anonymous hotline, but I wouldn’t have reported anonymously anyway. It was my duty to report the wrongdoing—and nothing was going to stop me.

I sent my report to the chair, the dean, the human resources director, the provost, and the chancellor.

### **RETALIATION BEGINS!**

When I requested assistance from the dean’s office, I was ignored. Alone, I prepared the notification letter; I put the employee on investigatory leave; and I secured the evidence, including documentation of forgery.

Retaliation began immediately. My office was broken into and ransacked. Served at my home by the dean, I was accused of misuse of government funds by the accused.

A few days later, my report arrived at internal audit and everything changed for the better. When I met with the campus auditors, I found a haven. The auditors listened, took immediate action, and secured the evidence.

A few days later, my report arrived at internal audit and everything changed for the better. When I met with the campus auditors, I found a haven. The auditors listened, took immediate action, and secured the evidence. We notified the federal agency, who then alerted its Office of Inspector General.

The auditors also explained the allegations against me. I provided documentation to show that the manager’s accusations were false, and I was cleared in November.

The auditors, campus police, and federal agents had worked together, and on October 30, 2006, the manager had been served a search warrant. Stolen property was found in her garage.

Internal audit further substantiated my allegations and discovered additional wrongdoing. Apparently, while the chair was approving the manager’s POs and travel, the manager was purchasing expensive equipment for the chair’s department. She also created a secret account for the chair’s research on chocolate; hence, the note about the \$150K on the spreadsheet.

### **RETALIATION INTENSIFIES, SO WHISTLEBLOWER TAKES ACTION**

In February 2007, the manager was indicted for misappropriating \$160,000 of government property. Retaliation against me intensified following the media exposure. Enraged colleagues distributed a negative petition to remove me from office. When I found out, I sought and received advice from my neighbor and friend, Daniel Ellsberg, the famous whistleblower who released the Pentagon Papers to the New York Times:

“You’ll not regret what you did, but your life will be different...It’s going to get harder but don’t despair when your friends desert you. This is a future-altering event that will change your view of the world forever. Accept your new life and embrace it.”

In September 2007, after being falsely accused of violence in the workplace, I filed a complaint of retaliation. My complaint was promptly investigated and substantiated in December. I was cleared of false allegations of violence; the investigation found that the dean's retaliation had damaged my reputation.

The manager was prosecuted by the US Attorney, pled guilty, and was sentenced to one year in prison. Following four years of multiple investigations, the university paid back \$2.3 million.

### **ALWAYS TAKE THE HIGH ROAD!**

It's possible to blow the whistle and keep your job. After making a good faith disclosure, focus on doing the best job possible, document the facts, and work cooperatively with the authorities.

I began a new career with research funding, a new office, and a handful of supporters. I'm now teaching an undergraduate ethics class at the University of California, Davis.

I'm often asked what I'd do differently. Blowing the whistle was certainly the right thing to do. However, next time I'd go straight to the experts—*internal auditors!* ■

It's possible to blow the whistle and keep your job. After making a good faith disclosure, focus on doing the best job possible, document the facts, and work cooperatively with the authorities.



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# Being a Team Player: New Ways to Collaborate with Athletics

By Martina Buckley, CPA, CIA and Justin T. Noble, CIA

You do not have to look far within any university's athletics program to find substantial risks. Historically, internal audit (IA) has spent its time focusing on compliance with National Collegiate Athletic Association (NCAA) bylaws and limited its review beyond this scope. While compliance risks are still highly important, ever increasing financial, legal, operational, and reputational risks are key risks to consider while planning annual risk assessments and annual audit plans.

## BUILDING A RELATIONSHIP WITH ATHLETICS

To understand the potential impact of these risks on your campus, it is key for IA to build effective and collaborative relationships within Athletics. IA should first work with the Athletics Director (AD) to inform the AD of IA's role and the value that working together can bring (e.g., improve operations, avoid front page news stories, improve compliance and financial monitoring). Next, establishing a relationship and dialogue with the NCAA Compliance Director will be extremely important. The NCAA is undergoing historic and rapid change. The NCAA Compliance Director should be able to articulate these changes and how Athletics and the university are both preparing and responding to these changes.

Additionally, the Faculty Athletics Representative (FAR), is a central figure in Athletics. The role of the FAR varies depending on the campus, but in general the FAR works to ensure there is an appropriate balance between academics and Athletics. Most often the FAR is a part of the key group, external to Athletics, which helps ensure student-athlete welfare is considered and monitored.

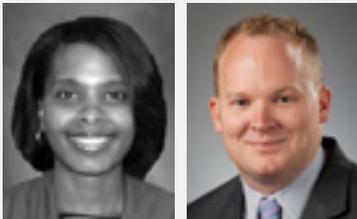
IA might also consider participating in the following to help further its relationship with Athletics:

1. Attend regularly scheduled rules compliance meetings
2. Deliver a presentation at a staff meeting
3. Conduct an annual risk assessment meeting
4. Become familiar with the Athletics risk environment
5. Subscribe to Athletics publications
6. Attend a NCAA rules education session
7. Follow key social media accounts

While building a relationship with Athletics is important, it is equally important for IA to balance the relationship to maintain independence, as IA must do with all client relationships. Establishing a collaborative relationship with Athletics should result in a more informed risk profile. Below are several potential high risk audit areas to consider.

## MEDIA RIGHTS REVIEW

Television and media rights contracts and thus revenue have skyrocketed in recent years. The effect of this has been an increasing reliance on these revenue streams. Typical media rights contracts span six to ten years and often have built-in long term extensions. Additionally, most



### ABOUT THE AUTHORS

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**Justin Noble, CIA,** is an Audit Director at the Texas Tech University System where he oversees diverse engagements across the four component institutions. He is a Certified Internal Auditor.

While building a relationship with Athletics is important, it is equally important for IA to balance the relationship to maintain independence, as IA must do with all client relationships.

agreements have guaranteed payouts, in addition to revenue sharing, should certain financial thresholds be met. A careful review of these contracts could include the following:

- Ensure payment of the guarantee minimum payouts
- Review the performance bonus payments (e.g., post season participation)
- Determine if additional stipends were paid (e.g., scholarships, capital buildings)
- Document the existence of required insurances
- Make certain revenue share calculations are correct
- Review appropriateness of deducted expenses from revenue sharing calculations

Typically, IA has the most difficulty ensuring the revenue sharing calculation is correct. Most media rights contracts have strict confidentiality clauses that are meant to shield the rights holder from state open records laws in an effort to ensure a competitive advantage in their negotiations. Firms have shown a reluctance to share the details of their individual contracts and provide detailed billing and invoices for expenses. Thus, key to this effort will be a strong 'right to audit' clause in the contract. Additionally, IA may need to engage the Office of the General Counsel to ensure the firm is complying fully with the 'right to audit' requirements.

## ACADEMIC INTEGRITY REVIEW

Arguably, the single hottest topic in collegiate athletics right now is academic integrity. There are many high-profile athletics programs nationally that have come under scrutiny for student-athletes receiving special assistance on course selection and grading. Outside of NCAA compliance risks, institutions are suffering significant reputational, accreditation, and external funding (i.e., financial aid, scholarships) risks related to academic integrity matters.

IA should use the data in the student enrollment system (e.g., Banner, PeopleSoft) to develop potential anomalous trait identifiers (i.e., "Red Flags"). Such "Red Flags" could include:

- Instructors with a considerable number of classes exceeding the usual course load
- Prominent clustering of student-athletes, especially from revenue sports (e.g., Football)
- Abnormally high grades, substantially higher than the student-athlete's GPA
- Numerous grade changes, especially of permanent grades
- Unusually high numbers of DROP/ADDS in enrollment
- No classroom for meetings, typically with the notation "TBD" or similar
- No time scheduled for class meetings, typically showing "12:00 noon to 12:00 noon" (the default entry)
- Classes with Athletics employees as instructors

While no one red flag may cause concern, compiling the results across multiple identifiers could point IA towards colleges, departments, classes, or instructors to review.

## EXPENSE REVIEW

A back-to-basics expense review is well warranted in Athletics. The high level of expenses in areas such as travel and entertainment easily justify an expense review. Key to this review is a strong set of university and Athletics policies that define allowability. Additionally, IA should keep in mind potential NCAA rules violations that could be discovered via the review. Recently, an Athletics expense review noted jet

ski purchases, suit rentals, at-home ice machine rental, and high-dollar hotel stays. The review also noted meals purchased for parents of student-athletes, likely a NCAA violation.

Athletics is an ever evolving world and will continue to present a complex and diverse risk profile. IA building a collaborative relationship with Athletics and staying current with NCAA updates should position IA to not only address these risks, but become a valued business partner both at the table and on the field. ■

Athletics is an ever evolving world and will continue to present a complex and diverse risk profile.



## What is the ACUA Risk Dictionary?

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