

October 2014

Office of Internal Audit & Compliance, BOR — USG, (404) 962-3020

The Office of Internal Audit & Compliance’s (OIAC) mission is to support the University System of Georgia management in meeting its governance, risk management and compliance and internal control (GRCC) responsibilities while helping to improve organizational and operational effectiveness and efficiency. The OIAC is a core activity that provides management with timely information, advice and guidance that is objective, accurate, balanced and useful. The OIAC promotes an organizational culture that encourages ethical conduct.

We have three strategic priorities:

1. Anticipate and help to prevent and to mitigate significant USG GRCC issues.
2. Foster enduring cultural change that results in consistent and quality management of USG operations and GRCC practices.
3. Build and develop the OIAC team.

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From the Chief Audit Officer John M. Fuchko, III



USG Participates in International Fraud Awareness Week

The University System of Georgia (USG) is a proud participant of International Fraud Awareness Week, Nov. 16-22, 2014. In support of this effort, USG institutions will be hosting activities to bring awareness to fraud and further promote an ethical culture on our campuses. As you know, no organization or institution is exempt from the potential for fraud and the resulting risk to institutional reputation and the reputation of its employees.

Ethical behavior is a hallmark of public service and public higher education. Dedicating a week to recognize the importance of maintaining and strengthening our ethical culture recognizes the hard work of all employees, and promotes our shared values of integrity, excellence, accountability and respect.

Activities during this week will help bring awareness to fraud prevention and the value of an ethical workplace culture which enhances employee moral, retention and productivity.

Our theme for this week is “The SPIRIT of USG.” Planned activities will emphasize:

- Stewardship
- Prevention
- Integrity
- Responsibility
- Inspiration, and
- Trust

The USG awareness program is part of our comprehensive Ethics and Compliance Program which includes mandatory ethics training, compliance training, assurance audits, consulting engagements and an ethics and compliance reporting hotline.

I look forward to hearing your thoughts. Please feel free to contact me at john.fuchko@usg.edu or 404-962-3025. You may also contact Wesley Horne, OIAC Director of Ethics and Compliance at wesley.horne@usg.edu or 404-962-3034 about Fraud Awareness Week activities.

John M. Fuchko, III
Chief Audit Officer & Associate Vice Chancellor

Fraud Awareness



November 16-22, 2014

USG POLICY

The University System of Georgia has a very robust ethics policy, and fraud prevention and detection program. The policy may be found in the Board of Regents Policy Manual Section 8.2.20. A link to the Policy is highlighted below.

Ethics & Compliance Program

The USG Board of Regents has established a system-level Ethics & Compliance Program (Program). The Program is intended to assist the Board, the Chancellor, and institution management in the discharge of their compliance oversight responsibilities.

The Program is part of the Office of Internal Audit and Compliance (OIAC) which reports to the Chancellor and to the Board of Regents Committee on Internal Audit, Risk, and Compliance. OIAC's authority to manage the Ethics & Compliance Program is specified in the OIAC Charter.

Link to [Ethics Policy](#)

Link to [Ethics Program](#)

Fraud Awareness

The Association of Certified Fraud Examiners (ACFE) is celebrating its 25th anniversary as the world's largest anti-fraud organization and premier provider of anti-fraud training and education. The mission of ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession. According to a survey of Certified Fraud Examiners (CFEs) who investigated cases between January 2010 and Fall of 2011, organizations worldwide lose an estimated 5 percent of their annual revenues to fraud. ACFE's annual [Report to the Nations on Occupational Fraud and Abuse](#) provide statistics on fraud and abuse worldwide.

International Fraud Awareness week is scheduled November 16—22, 2014. It is a media campaign that encourages business leaders and employees to proactively take steps to minimize the impact of fraud by promoting ethical behavior as an organizational cultural norm. The USG is participating in Fraud Awareness week systemwide by promoting fraud awareness education. We encourage USG institutions to host training opportunities, distribute fraud awareness information, and generally to promote an ethical culture during the week.

“We organize several outreach events, and will be doing a series of seminars during the week with students in our fraud examination minor and forensic accounting graduate (programs).”

— Timothy Pearson

Director, School of Accountancy

Georgia Southern University - Center for Forensic Studies

For more information on [International Fraud Week](#) please browse www.fraudweek.com.

Fraud Prevention Tip of the Week

Be proactive. Adopt a code of ethics for management and employees. Set a tone at the top that the company will not tolerate any unethical behavior.

Ethics Policy, BOR 8.2.20

8.2.20 University System of Georgia Ethics Policy

8.2.20.1 Introduction

The USG is committed to the highest ethical and professional standards of conduct in pursuit of its mission to create a more educated Georgia. Accomplishing this mission demands integrity, good judgment and dedication to public service from all members of the USG community.

While the USG affirms each person's accountability for individual actions, it also recognizes that the shared mission and the shared enterprise of its institutions require a shared set of core values and ethical conduct to which each member of the USG community must be held accountable. Furthermore, the USG acknowledges that an organizational culture grounded in trust is essential to supporting these core values and ethical conduct.

The following Statement of Core Values and Code of Conduct are intended to build, maintain and protect that trust, recognizing that each member of the USG community is responsible for doing his/her part by upholding the highest standards of competence and character.

8.2.20.2 Applicability

The USG Ethics Policy applies to all members of the USG community. The USG community includes:

All members of the Board of Regents;

All individuals employed by, or acting on behalf of, the USG or one of the USG institutions, including volunteers, vendors, and contractors; and,

Members of the governing boards and employees of all cooperative organizations affiliated with the USG or one of its institutions.

Members of the Board of Regents and all individuals employed by the USG or one of its institutions in any capacity shall participate in USG Ethics Policy training, and shall certify compliance with the USG Ethics Policy on a periodic basis as provided in the USG Business Procedures Manual. Cooperative organizations, vendors, and contractors shall certify compliance with the USG Ethics Policy by written agreement as provided in the USG Business Procedures Manual.

The USG Ethics Policy governs only official conduct performed by or on behalf of the USG. Violations of the USG Ethics Policy may result in disciplinary action including dismissal or termination.

8.2.20.3 Statement of Core Values

Every member of the USG community is required to adhere to the USG Statement of Core Values – Integrity, Excellence, Accountability, and Respect – that form and guide the daily work of the organization.

Ethics Policy, BOR 8.2.20, Cont'd

Integrity – We will be honest, fair, impartial and unbiased in our dealings both with and on behalf of the USG.

Excellence – We will perform our duties to foster a culture of excellence and high quality in everything we do.

Accountability – We firmly believe that education in the form of scholarship, research, teaching, service and developing others is a public trust. We will live up to this trust through safeguarding our resources and being good stewards of the human, intellectual, physical and fiscal resources given to our care.

Respect – We recognize the inherent dignity and rights of every person, and we will do our utmost to fulfill our resulting responsibility to treat each person with fairness, compassion and decency.

8.2.20.4 Purpose of the Code of Conduct

The USG recognizes that each member of the USG community attempts to live by his or her own values, beliefs and ethical decision-making processes. The purpose of the Code of Conduct is to guide members of the USG community in applying the underlying USG Statement of Core Values to the decisions and choices that are made in the course of everyday endeavors. Each USG institution must ensure that its institutional ethics policies are consistent with this USG Ethics policy.

8.2.20.5 Code of Conduct

We will:

- I. Uphold the highest standards of intellectual honesty and integrity in the conduct of teaching, research, service and grants administration.



- II. Act as good stewards of the resources and information entrusted to our care.
- III. Perform assigned duties and professional responsibilities in such a manner so as to further the USG mission.
- IV. Treat fellow employees, students and the public with dignity and respect.
- V. Refrain from discriminating against, harassing or threatening others.
- VI. Comply with all applicable laws, rules, regulations and professional standards.
- VII. Respect the intellectual property rights of others.
- VIII. Avoid improper political activities as defined in law and Board of Regents Policy.
- IX. Protect human health and safety and the environment in all USG operations and activities.

Ethics Policy, 8.2.20, Cont'd

- X. Report wrongdoing to the proper authorities; refrain from retaliating against those who do report violations; and cooperate fully with authorized investigations.
- XI. Disclose and avoid improper conflicts of interest.
- XII. Refrain from accepting any gift or thing of value in those instances prohibited by law or Board of Regents policy.
- XIII. Not use our position or authority improperly to advance the interests of a friend or relative.

8.2.20.6 Interpretation and Sources

The Statement of Core Values and Code of Conduct do not address every conceivable situation or ethical dilemma that may be faced by members of the USG community. Members of the USG community are expected to exercise good judgment absent specific guidance from this policy or other applicable laws, rules and regulations.

Specific questions pertaining to the Statement of Core Values or Code of Conduct should be directed to a supervisor or other competent authority at the University System Office or at the institution's office of Legal Affairs, Internal Audit, Compliance, Human Resources, Academic Affairs, or other appropriate office.

There are also multiple sources of authority that address specific questions or situations. Examples include:

1. Board of Regents Policy Manual
2. Board of Regents Business Procedures Manual
3. Board of Regents Human Resources Administrative Practice Manual
4. Institutional policies, handbooks and procedures
5. State Laws and Regulations
6. Federal Laws and Regulations

Further specific explanatory notes and references may be found on the USG's website at: <http://www.usg.edu/audit/compliance/ethics/> or its successor reference (BoR Minutes, November 2008).



International Fraud Awareness Week

November 16-22, 2014

For More Information Contact:

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Institutional Effectiveness

“Lean Six Sigma for Higher Education—Black Belt”

Jeanne Royal Severns, LSSHE, MBA, CPA, CIA

Valdosta State University

Continuous Improvement

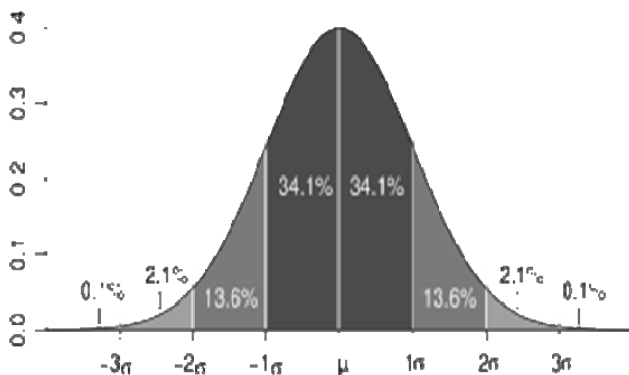


Is it acceptable for a doctor to drop a newborn baby at birth? Of course not. Is it acceptable if one's pay check is short by \$100 while another's is overpaid by \$100?

The sum of these two checks is the same either way; so, does it matter? Of course it does.

Quality matters. The best way to ensure quality, whether a manufactured product or a professional service is through continuous improvement. How does one achieve continuous improvement? It is achieved through the use of real data to understand a process, then by the elimination of waste while actively promoting consistency. A proven way to achieve the highest level of quality is to adopt the Six Sigma methodology.

In somewhat technical terms, Six Sigma (or 6σ) means



99.999997% of any process is between the Lower Control Limit and the Upper Control Limit. Translated into English, one gets “it” right 99.999997% of the time, or just one mistake 3.4 times out of every one million attempts. The idea of Six Sigma can be

frightening unless you happen to have a good working knowledge of statistics. Here’s what it looks like – your mistakes are the outliers on the tail end of the curve. Everything else is acceptable.

Many believe that 99.999997% accuracy is ridiculous. Students are expected to get a 70% or 75% to pass. Many are happy with an 80% and ecstatic with a 90%. But in actuality, even 99.9% accuracy in many processes is not good enough. Unless of course one is willing to accept:

- 50 new born babies dropped at birth by doctors everyday
- 1 hour of unsafe drinking water every month
- 12 newborns given to the wrong parents daily
- 880,000 credit cards in circulation with incorrect cardholder information on their magnetic strips.

Here’s the good news – one can learn and begin to incorporate Six Sigma processes into his/her work, whatever it is, without knowing statistics. Six Sigma techniques can be used to:

- Assist in preparing institutional effectiveness reports and setting realistic planning goals
- Provide a template for problem solving
- Help establish measures
- Make processes visible
- Obtain information on the voice of the internal and external customer and
- Identify and reduce hidden costs.

Six Sigma is merely the name given to a customer focused, well defined, problem solving methodology supported by analytical tools. The methodology results in continuous improvement and consistency. With Six

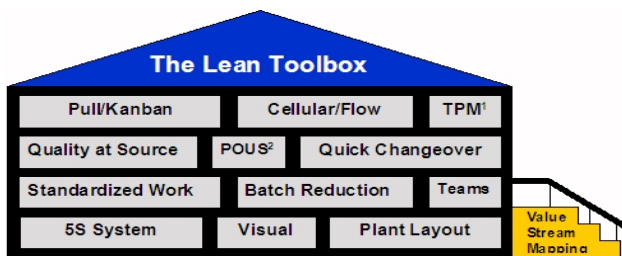
Lean Six Sigma for Higher Education—Black Belt, Cont'd

Sigma one can have confidence that what he/she plans to happen actually will happen.

GETTING STARTED

Here are a couple of simple tools to get you started.

The first tool is the “Five Whys”. Here’s one illustration of how 5 Why’s may get to the root cause of a



problem.

My boss asks and *I answer*:

1. Why isn't your work finished? Because I get too many phone calls.
2. Why do you get so many phone calls? Is it because people are calling to ask you why your work is not finished? No. People are asking what time the office closes.
3. Why are they asking you that? We haven't published our summer hours on our website.
4. Why? Because I am responsible for posting changes to the website
5. Why haven't you done it? I don't know how.

Solution: Learn how to post the hours on the website.

A second tool in the 6σ toolbox is the 5S's. The 5S's can be implemented by everyone - right now.

1. SORT--- Clear the work area and discard any unnecessary items. Removed the clutter. You will probably find that doing nothing more than this will make you more efficient and organized. Do you sometimes just get tired of looking at the messy

desk?

2. SET IN ORDER--- Prioritize and categorize work. Locate things so that you can find them quickly. “Everything has a place and everything should be in its place.” Easy access saves time and searching.
3. SHINE--- Cleanliness and workplace appearance should be a part of normal operations. Neatness counts.
4. STANDARDIZE--- Everyone should have clear responsibilities and perform their task in standard ways. This step really goes to the heart of best practices. Look for personal best practices.
5. SUSTAIN--- Maintain the improvements gained in the first four steps. Repeat the event periodically.

Of course there is a lot more to Six Sigma than these two simple techniques. It is a data driven problem-solving methodology which teaches how to define problems, how to measure, and how to analyze. It includes many proven techniques for improving and then just as importantly controlling a process.

Embracing and implementing Six Sigma can result in lower costs, greater efficiencies and consistencies which leads to increased customer and employee satisfaction -- *and fewer dropped babies.*

[Jeanne R. Severns](#)

Audit Director
Valdosta State University



Fraud Prevention

Melissa B. Hall

Georgia Institute of Technology

In today's Higher Education environment, pressures are growing. Our purpose is tied to managing enrollment, retaining and graduating more students, all while controlling spending and enhancing educational quality and maintaining affordability. The "do more with less" pressure can push some employees to make unethical decisions. The study of fraud tells us that when the external pressures mount, the occurrence of fraud increases. There are some simple things that each and every one of us can do to make a significant impact in the deterrence of fraud, waste, and abuse on our campus.

1) Educate your employees, about the way to report instances of fraud. Use every meeting as an opportunity to educate. I never leave an audit interview without taking full advantage of that opportunity. I always ask..... "Have you been asked to do something you felt was wrong" or "have you observed someone doing something you felt was wrong?" I'm always surprised by their answers. If I find that they are reluctant to share, but can sense they have concerns, I use this as an opportunity to discuss our hotline and ensure they understand that the hotline is completely anonymous. These conversations are prime opportunities to remind employees that they can make a difference too.

2) Begin an awareness campaign – Advertising executives will tell you that it takes approximately seven times for someone to hear your message for it to really be retained and understood. Creating awareness can be a very simple process, so don't let it be overwhelming. Begin with a simple postcard advertisement about your hotline. Indicate hotline numbers are on your website, and hang posters in common areas used by employees or in each department. Our analysis indicates that it is effective to advertise our hotline with a simple postcard every other month. This postcard is critical in the

process of reminding employees to report their concerns. We monitor the effectiveness of the hotline advertisement, and each time we send out a postcard, there is an increase in the number of hotline incidents reported.

3) Assess your "tone in the middle" - We always hear about the "tone at the top", but I am challenging you to assess your department's "tone in the middle". A college campus by nature is a decentralized environment. Managers convey ethical expectations by their actions and by setting ethical behavior. But, how do you know if your expectations are being carried out by your trusted middle managers? One way to measure the "tone in the middle" is to conduct a survey, including a sample of all employees, using an anonymous reporting tool. Remind employees the survey tool is confidential. Ask simple questions such as – "Do you feel encouraged by your supervisor to do the right thing?" or "Do you know the most recent policy on a particular topic?" As auditors, we often discuss the tone at the top of an organization, however, unless the tone at the middle is the same as the top, all employees might not get the proper messages.

By implementing simple steps, organizations can make a difference in fraud prevention, waste and abuse... one employee at a time.

[Melissa Hall](#)

Associate Director - Forensic Audits
Georgia Institute of Technology



THE THREE LINES OF DEFENSE IN EFFECTIVE RISK MANAGEMENT AND CONTROL IIA Position Paper, January 2013

This month's article on Operational Effectiveness consists of a three part position paper on risk management and control published by the Institute of Internal Auditors. Part I is reprinted in this newsletter. Parts II & III will be reprinted in the next Straight and Narrow publication.

Introduction

In twenty-first century businesses, it's not uncommon to find diverse teams of internal auditors, enterprise risk management specialists, compliance officers, internal control specialists, quality inspectors, fraud investigators, and other risk and control professionals working together to help their organizations manage risk. Each of these specialties has a unique perspective and specific skills that can be invaluable to the organizations they serve, but because duties related to risk management and control are increasingly being split across multiple departments and divisions, duties must be coordinated carefully to assure that risk and control processes operate as intended.

It's not enough that the various risk and control functions exist — the challenge is to assign specific roles and to coordinate effectively and efficiently among these groups so that there are neither "gaps" in controls nor unnecessary duplications of coverage. Clear responsibilities must be defined so that each group of risk and control professionals understands the boundaries of their responsibilities and how their positions fit into the organization's overall risk and control structure.

The stakes are high. Without a cohesive, coordinated approach, limited risk and control resources may not be employed effectively, and significant risks may not be identified or managed appropriately. In the worst cases, communications among the various risk and control groups may devolve to little more than an ongoing debate about whose job it is to accomplish specific tasks.

The problem can exist at any organization, regardless of whether a formal enterprise risk management framework is used. Although risk management frameworks can effectively identify the types of risks that modern businesses must control, these frameworks are largely silent about how specific duties should be assigned and coordinated within the organization.

Fortunately, best practices are emerging that can help organizations delegate and coordinate essential risk management duties with a systematic approach.

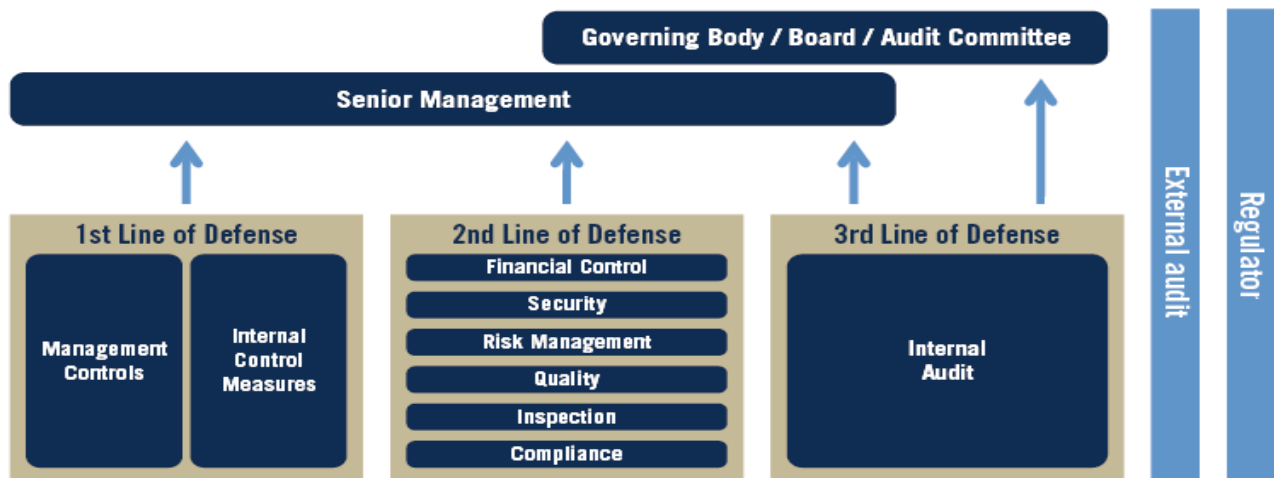
The Three Lines of Defense model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties. It provides a fresh look at operations, helping to assure the ongoing success of risk management initiatives, and it is appropriate for any organization — regardless of size or complexity. Even in organizations where a formal risk management framework or system does not exist, the Three Lines of Defense model can enhance clarity regarding risks and controls and help improve the effectiveness of risk management systems.

Before The Three Lines: Risk Management Oversight and Strategy Setting

In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third. Each of these three "lines" plays a distinct role within the organization's wider governance framework.

*THE THREE LINES OF DEFENSE IN EFFECTIVE
RISK MANAGEMENT AND CONTROL
IIA Position Paper, January 2013*

The Three Lines of Defense Model



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

I. THE FIRST LINE OF DEFENSE: OPERATIONAL MANAGEMENT

The Three Lines of Defense model distinguishes among three groups (or lines) involved in effective risk management:

- ◆ Functions that own and manage risks.
- ◆ Functions that oversee risks.
- ◆ Functions that provide independent assurance.

As the first line of defense, operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis.

Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.

Through a cascading responsibility structure, mid-level managers design and implement detailed procedures that serve as controls and supervise execution of those procedures by their employees.

Operational management naturally serves as the first line of defense because controls are designed into systems and processes under their guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

USG FRAUD AWARENESS PROGRAM

Suggested Activities for Fraud Awareness Week

Events on- and off-campus to promote awareness and training

- Ongoing education/training
- Brown Bag lunch with experts discussing fraud prevention in the workplace, as well as overall fraud awareness issues
- Open forums within larger divisions (Plant Operations, etc.) to explain types of fraud abuse, how to spot fraud, waste, and abuse, and then how to properly report (Hotline)
- Symposium for community – how to prevent credit card fraud, identity theft, scams, etc.
- Information Technology host symposium on campus and/or in the community.
- Information booths with games, including “backpack” games where items related to work are placed in a backpack and discuss whether certain items in the bag are stolen or not – discussion about cost of small to large items taken from the office or work place or integrity/ethics quiz and allow employees to try and answer correctly.

SEND US YOUR SUCCESS STORIES: [OIAC Ethics and Compliance](#)



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? Ask the Auditor ?

If you have a governance, risk management, compliance or control question that has been challenging you, let us help you find the answer. Your question can help us to become better auditors.

Want to Contribute to the Straight and Narrow?

We invite you to send your questions and ideas for future articles to us for feature in upcoming Straight and Narrow newsletters.

Contact Us: [USG OIAC Newsletter](#)

“Creating A More Educated Georgia”

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