

# Best Practices for Financial Management

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...where scientific research meets global  
development changes

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# Discussion Points

- Preventative Measures
- General Compliance Issues
- Strengthening Internal Controls
- Problem Solving Tactics
- Interacting with the Auditor
- Understanding Fraud





# Preventative Measures

- When do you check for compliance?
- Checklists
- Signatures
- Reading your agreement
- Making an award file



## Audits: Making an Award File

- The award with amendments on top
- Copy of your final approved proposal
- Prior approvals and waivers
- Financial Reports
- Program Reports





# Strengthening Internal Controls

- Leadership sets the stage
- Staff training
- Staff orientation
- Put the policy in writing
- Random spot checks



# Problem Solving Tactics

- Avoiding the problem
- Hiding the problem
- Recommending a solution





# Segregation of Duties

- No one person should
  - Initiate a transaction
  - Approve a transaction
  - Record a transaction
  - Reconcile a transaction
  - Handle assets
  - Review reports
- At least two sets of eyes for every transaction



# Segregation of Duties cont.

## Functions to be separated

- Approval
- Accounting/reconciling
- Asset custody





# Interacting with the Auditor

- Providing copies for the auditor (and an extra for yourself)
- Have one point of contact
- Only respond to the question asked
- Be honest



# Responding to Draft Reports

- Read and understand the report
- Provide a clear and concise report
- Be Realistic



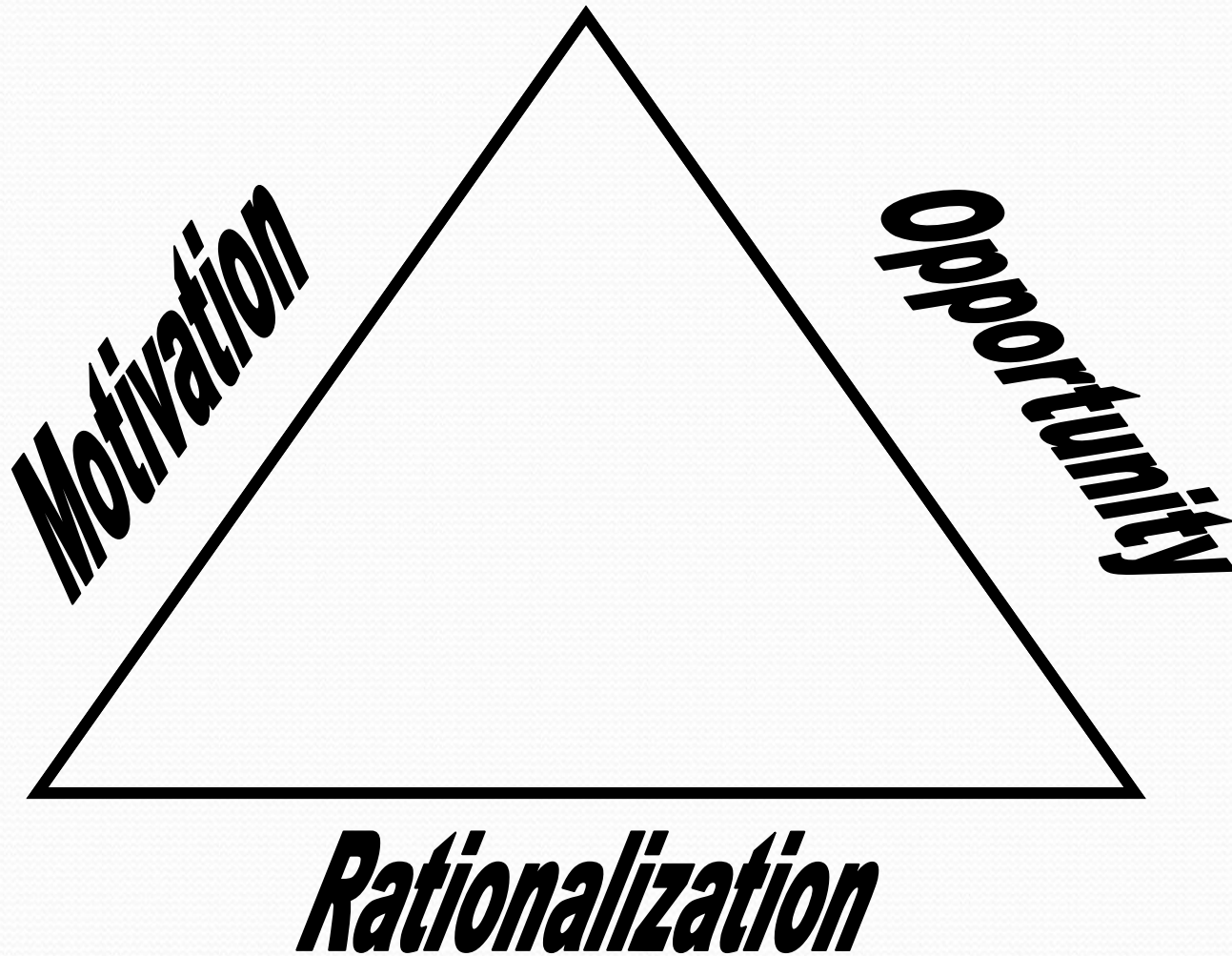


# What is Fraud?

Fraud is an act of deception intended for personal gain. Examples include:

- Misappropriation of money/Stealing
- Falsifying Timesheets or Time & Effort Reports
- Misuse of resources
- Receiving gifts/bribes

# The Fraud Triangle







# Motivation

## Desperation

- Medical bills
- Gambling problem
- Pending foreclosure

## Temptation



# Rationalization

Fraudsters do not view it as a fraud

## Types of Rationalization

- Borrowing – *“I really will pay it back”*
- Entitlement – *“I deserve this”*
- Becoming desensitized – *“Everyone else does it, so I guess it’s okay”*





# Opportunity Knocks

Common ways that opportunity for fraud is created:

- Internal controls from previous job do not exist at new job
- Employee has advanced knowledge/training/experience
- Employee has advanced authority
- Mistakes or “testing the water”



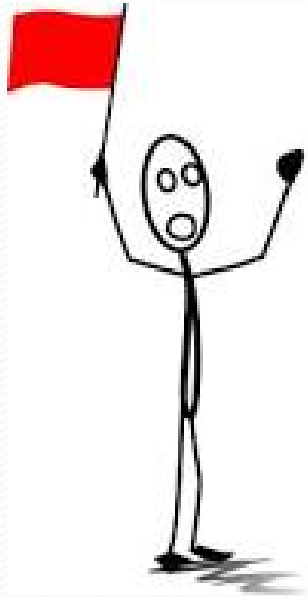


# Examples of Opportunity



- Bookkeeper signs checks.
- One person does all elements of a task
- Not reconciling bank accounts on a timely basis (or at all)
- Leaving money in an unsecured location
- Not keeping track of how many computers you have.
- Not changing passwords on a regular basis.
- Not collecting access cards/ID badges/keys from former staff
- Not getting competitive bids for supplies or equipment
- Existing policies are not enforced
- Not collecting documentation or receipts





# Red Flags

- *Inappropriate responses*
- *Cost Transfers*
- *“If it doesn’t make sense, then it’s not true.”*  
*Judge Judy*
- *Living outside your means*
- *Avoiding vacation days*