



# ANTI-FRAUD PREVENTION AND DETECTION PRACTICES

## Introduction

*This document serves as a summary of NICAR's anti-fraud prevention and detection practices.*

This document is intended to provide a summary of the steps taken through the official governance processes at NICAR to reduce the risk of material misstatement of financial statements due to fraud. However, most of the specific steps to avoid fraudulent acts are outlined in other procedural and policy documents.

## 1. Fraud Risk Oversight

*The Finance Committee is charged with the responsibility for the identification and assessment of fraud risks.*

The Treasurer serves as chairman of this committee and is the custodian of the funds and securities and is a check signing officer of the Association. The hierarchy of financial operations runs from the Board of Directors, through their elected Treasurer and appointed Finance Committee down to staff, managed on a daily basis by the Association.

### 1.1 Annual Audit

*The NICAR constitution requires that the Association be audited annually by a CPA firm selected by the Finance Committee and approved by the Board of Directors.*

#### Example:

The Association's independent accounting firm meets with the Committee at least once a year. The firm also meets with the Committee, without the presence of staff, to address Committee questions or concerns, and may be asked to express their views on internal controls, fraud risks, management, financial statements, etc.

### 1.2 Annual Budget

*The Finance Committee is responsible for preparing the Association's annual budget which is to put together using the NICAR's Strategic Plan as a guideline. Then the Finance Committee submits the annual budget to the Board of Directors for approval.*

#### Example:

The planning and budgeting process is conducted every year. Budgets are developed by the finance committee; the finance committee receives input from each committee chair in regards to any expenses for a program. Resulting the Finance Committee (and Budget Review Team) recommendations are then submitted to the Executive Committee and the Board of Directors for final approval. Any subsequent changes to final budgets must be approved by the Board of Directors for final approval. The budget documents contain detailed information regarding divisional and program activities, revenue, and expenses for the fiscal year.

As Staff Executive to the Finance Committee, the Accountant distributes these monthly statements via electronic means to the Finance Committee to review for reasonableness. The Leadership Team also receives monthly interim financial statements with divisional operating results which are presented by the Treasurer during their regularly scheduled meetings.

### **3. Process Level Anti-Fraud Controls**

*NICAR has implemented a number of internal process controls which help prevent, deter and detect fraud risks.*

#### ***a. Payment Policies***

*The payment policies of NICAR are designed to maintain positive vendor relationships, preserve credit worthiness, and maximize the benefits of positive cash flow in the organization.*

**Review and modify policy below as necessary.**

Authorized check signers are those designated by the Board of Directors and who holds one of the following offices of the Organization: President, President Elect, Treasurer, Secretary and Account Executive.

In addition to the policies outlined above, certain steps increase the controls over the Accounts Payable (AP) process, including the following (as outlined in the AP Procedures):

- Invoices received in the mail are delivered by the Mail Services Department directly to the Accounting Firm.
- Access to the AP system is password protected and limited to certain personnel.
- AP enters additional notes to assist in accountants' review of payments.
- Certain fields require input to continue processing (also, some fields do not allow duplication of information entered previously for another disbursement).
- Checks written and signed are logged into a control register for security purposes.
- The AP system verifies check numbers has not been previously issued.
- AP staff verifies that all check requisitions are signed by appropriate approvers (also that invoices are properly coded and authorized).
- Any two authorized signatories are required to manually sign all NICAR checks. In addition to the CEO and CFO, check signing authority is also delegated to several staff holding a Senior Vice President or a Vice President position within the organization to insure check payments are issued and signed within a timely manner.

#### ***b. Dues and Other Revenue Processing***

*Certain guidelines and policies are in place for due payments and other revenue processing to minimize financial risk to the Association.*

Only certain forms of payment are deemed acceptable by NICAR. A bad debt reserve account is maintained for potential future bad debt losses and uncollectible accounts receivable. In addition, NICAR has implemented a dues refund policy that fairly addresses the needs of the members while maintaining fiscal prudence for the organization.

**Review the policies below and modify/remove as necessary.**

In addition to the policies outlined above, certain steps increase the controls over the Accounts Receivable (AR) process, including the following (as outlined in the AR Procedures):

- Payments received in the mail are delivered by the Mail Services Department directly to the Associations Accountant. Payments are processed in a timely manner and stored in a secure location.
- Check processing procedures include internal controls such as completion of reconciliations, use of micro coding for endorsing checks and validating the check amounts and use of cash logs.
- Use of the Ecommerce Credit Card database not only expedites receipt of payments, the security measures inherent in this system enhance controls over credit card processing.
- The Cash Management Department records the deposit information twice monthly. The CPA reviews and confirms the deposits posted per the bank and reconciles the batch totals entered into the general ledger.

### ***c. Financial Reporting and Accounting Policies***

***NICAR prepares monthly, interim financial statements and maintains accounting policies in accordance with Generally Accepted Accounting Principles (GAAP).***

### ***d. Capital Assets***

***A Capital Acquisition policy is in place to track and monitor NICAR capital purchases to ensure adherence to the capital budget.***

An acquisition can be considered capital if it is over \$1,000 and its useful life is over 1 year. Laptops are requested and purchased for staff per the Capital Acquisition policy. Because a laptop is a portable capital asset, a policy is in place to track laptops specifically.