Big 3 Fraud Failures

Control failures contributing to fraudulent activity can vary depending on the specific context, industry, and organization. However, there are three common control failures that are often exploited by fraudsters. These include failures with separation of duties, approvals, and reconciliations. The following describes these failures and what we should be doing to improve controls:

Separation of duties failure

- Separation of duties failures occur when one person can control multiple steps involved in handling a transaction.

Tasks to separate

- Ideally, the steps of custody, recordkeeping, authorization, and reconciliation should be completed by different people.

Meaningless approvals

- Meaningless approvals occur when individuals approve transactions, documents, or processes without genuinely reviewing or understanding them.

Items to review before approving

- Ensure that you understand the transaction, document, or process you are approving and verify the information provided with the approval request.

Failure to reconcile

- Instances of fraud and irregularities may not be identified when units fail to complete reconciliations timely.

Items to reconcile

- Units should reconcile financial records to source documentation to ensure recorded transactions are accurate and complete.

Where can I find more information?

- University Controller's Office (UCO) Reconciliation Best Practices

- USF Office of Internal Audit website: https://www.usf.edu/audit/

How can I report potential fraud or abuse?

- Notify your supervisor.

- Contact the USF Office of Internal Audit at (813) 974-2705.

- Report activities anonymously through the EthicsPoint hotline at (866) 974-8411.