



Internal Controls: Background and Order to Cash Process

Course #1141A

Audit

2 Credit Hours

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INTERNAL CONTROLS: BACKGROUND AND ORDER TO CASH PROCESS

In this course you will learn to identify corporate controls to mitigate risk, recognize that internal control systems have limitations, and identify the sub-processes of the O2C process.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Background on Internal Controls The Order to Cash (O2C) Process

Study the course materials from pages 1 to 85

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recognize that internal control systems have limitations.
- Identify the sub-processes of the O2C process

NOTICE

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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INTRODUCTION TO THE INTERNAL CONTROLS TOOLKIT

Chapter Objective

After completing this chapter, you should be able to:

- Identify corporate controls to mitigate risk.

INTRODUCTION

Companies of all sizes are subject to a variety of risks. Among them are legal, regulatory, strategic, operational, financial, and reputational. Each functional organization is subject to one or more of these types of risk, each of which may impact the company's bottom line. Companies use a number of policies and tools, such as insurance, establishment of reserve funds, and investment policies, and standards of control to manage risk.

The concept of internal control is one of the trademarks of effective governance and good business operations. Without a strong system of internal control, organizations cannot ensure that the interests of company stakeholders are being protected. Strong internal controls support organizational goals and objectives, while helping safeguard against the risks of financial loss, operational waste, environmental irresponsibility, corporate fraud, and even reputational damage that can be irreparable. Internal control over financial reporting continues to be a major area of importance in the governance of an organization.

This toolkit provides a series of standards of internal control and the risks they mitigate for all enterprise-wide operations. The fraud risks for today's corporate environment are significant as indicated by the statistics provided in the following sections. The standards will set the foundation for good control and will help to mitigate the risk of fraud. According to the 2018 Report to the Nations prepared by the Association of Certified Fraud Examiners (ACFE), Anti-fraud controls work. The ACFE analyzed 18 anti-fraud controls were analyzed and every one correlated to lower fraud losses and faster fraud detection.

Internal Controls and Fraud Prevention

PwC's 2018 Global Economic Crime and Fraud survey states that:

- 49% of organizations globally said they've been a victim of fraud and economic crime—up from 36%.
- 64% of respondents said losses due directly to their most disruptive fraud could reach US\$1 million.
- 52% of all frauds are perpetrated by people inside the organization.
- 31% of respondents who suffered fraud indicated they experienced cybercrime.

Internal Controls and Fraud Prevention: Additional Statistics

Payment and Business Process Fraud Statistics			
Organization	Report	Key Findings	Source of Information
Association of Certified Fraud Examiners (ACFE)	2018 Report to the Nations	<p>Occupational fraud is extremely costly. Twenty-two percent of occupational frauds caused at least \$1 million in losses.</p> <p>Fraud schemes can be very difficult to detect. The typical occupational fraud lasted 16 months before it was discovered.</p> <p>Tips are the most effective way to detect fraud. Forty percent of cases were detected by a tip—far more than by any other method.</p> <p>Anti-fraud controls work. Eighteen anti-fraud controls were analyzed, and every one correlated to lower fraud losses and faster fraud detection.</p> <p>High-level perpetrators do the most damage. The median loss in frauds committed by owners/executives was \$850,000. Among non-owners/executives the median loss was \$100,000.</p> <p>Criminal fraud referrals are declining. Over the past 10 years, the percentage of occupational frauds referred to law enforcement has declined by 16 percent.</p>	https://www.acfe.com/article.aspx?id=4295001895

Payment and Business Process Fraud Statistics

Organization	Report	Key Findings	Source of Information
Association of Finance Professionals (AFP)	2018 AFP Payments Fraud and Control Survey Report	<p>Seventy-seven percent of organizations experienced business email compromise (BEC).</p> <p>Fifty-four percent of BEC scams targeted wires, followed by checks at 34%.</p> <p>Seventy-seven percent of organizations implemented controls to prevent BEC scams.</p> <p>Seventy-four percent of organizations experienced check fraud, a slight decrease from 2016.</p> <p>Twenty-eight percent were subject to ACH debit fraud and 13% were subject to ACH credit fraud.</p> <p>Sixty-seven percent of payments fraud was discovered by the organization's treasury staff.</p>	https://commercial.jpmorganchase.com/pages/commercial-banking/services/2018-AFP-Survey