



Fraud Awareness & Prevention

March 1, 2018

Higher Education Trustee Training



Goals

- Raise fraud awareness
 - because awareness is a form of prevention

Fraud Awareness video on OIG website:

- <https://www.youtube.com/watch?v=e9ZQ9gaLM6c>



What is fraud?

- SIMPLE: Lying to get something that doesn't belong to you.
- Characterized by deception or a violation of trust
- Deprives another of something of value.
- Typically for “**gain**.” But, unnecessary for a crime.
- Fraud is committed by individuals and/or organizations.
- Often related to a crime. Ex: larceny, kickbacks, false entry in corporate books.

Fraud is often part of a crime!



- Like most crimes, fraud occurs with regularity, does not discriminate, can be of any size, complexity, or duration.
- It can happen to you or your organization.



Why is this topic important?

- 1) Government programs account for about 25% of all frauds. Higher Education is considered a “high risk” area!
- 2) Prevention is easier than detection –saves money, reputation, morale, etc.

Why?

3) Cost control – 35% reduction in losses when there is fraud training to raise awareness. (ACFE)





Why?

4) Fiduciary Duty – “An individual in whom another has placed the utmost trust and confidence to manage and **protect property or money**. The relationship wherein one person has an obligation to act for another's benefit.”
(<http://legal-dictionary.thefreedictionary.com/fiduciary+duty>)

Protecting property and money placed in your trust requires an attempt to address risks including fraud.



And last, but not least....

5) Because fraud happens!!!

No person or organization is immune.



Recent Examples

- Harvard U: IT Mgr – stole iPads, TVs, etc. (\$80K)
- Emory U: nursing school tuition payments to outside pay pal account. (\$300K)
- Georgetown U: embezzlement (\$400K)
- For Profit Schools: tuition scams
- NCAA athletics: cheating
- Merrimack College: financial aid director – loan fraud
- UMass: time theft (\$77K)

Theory: Triangle

The

Fraud



Theory

- **80%** of “us” might commit fraud given the right rationalization, pressure and opportunity.
- Nat'l Assoc of Corporation Counsels
- Nat'l Assoc of Corporate Directors
- ACFE

Typical Fraudster

(2016 ACFE Report to the Nations)

- **36%** in management
- **50%** between ages of 36 -50
- **69%** male
- **25%** w/entity 10+ years
- **18%** in accounting office
- **85% are first-timers with clean profiles**
- Respected, Trusted, Responsible employees.



- Anyone you know?????



Typical Fraud

- Median loss for “executive” fraud = \$600,000.
- Others = approx. \$150,000

- Lasts about 2 years

- Accounting/Finance and Procurement are hardest hit departments

Causes of Fraud

- Lack of adequate internal controls is #1
- Lack of management oversight is #2
- Override of controls is #3
- Poor tone at the top is #4



RED FLAGS:

BASIC EXAMPLES

Red flags are warnings, not evidence

- Lack of supporting documentation
- **Weak governance!**
- Lack of responsiveness/reporting
- Complaints
- Resistance to rules & oversight

80% of frauds exhibited Red Flags



Anti-Fraud Program

- HOTLINE
- Focused & proactive oversight
- Training
- Policies
- Internal controls
- Strong anti-fraud culture
- Questioning

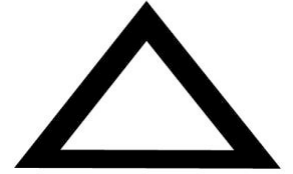


- Basic Security
- Response Plan
- Fraud Risk Assessment
- Common sense
- Audits, but....

Audits detect less than **10%** of frauds



For perspective: Think Triangle



- Willingness to commit fraud decreases when fear of getting caught increases.
- Think about Speeding !





For more information or assistance

- Contact the Office of the Inspector General
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