



UNIVERSITY OF
SOUTH CAROLINA

Fraud: The Role You Play

Fraud and Ethics Related Events

- Five university housing officials, including two senior directors, conspired to use university funds to purchase furniture, electronics, pay utility bills and meals.
 - Scheme: Fraudulent bank account opened; use of university procurement card



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 - Cost: \$470,000



Fraud and Ethics Related Events

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 - Scheme: Fraudulent bank account opened; use of university procurement card
 - Cost: \$470,000
 - Location: University of Florida



Fraud and Ethics Related Events

- Financial Aid Director conspired with three graduate students in kickback scheme, resulting in fraudulent stipends, scholarships, etc.
 - Scheme: Cost-of-attendance inflated in years w/no enrollment for graduate students



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 - Cost: \$800,000



Fraud and Ethics Related Events

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 - Scheme: Cost-of-attendance inflated in years w/no enrollment for graduate students
 - Cost: \$800,000
 - Location: Columbia University Teachers College



Fraud and Ethics Related Events

- Office Coordinator responsible for depositing cash from university recreation center steals over a four-year period
 - Scheme: Embezzlement



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 - Scheme: Embezzlement
 - Cost: \$76,000
 - Location: Grand Valley State University



Fraud and Ethics Related Events

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 - Scheme: Creation and submittal of falsified invoices



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 - Scheme: Creation and submittal of falsified invoices
 - Cost: \$130,000
 - Location: University of South Carolina



Internal Controls

- Preventive Controls – Work to prevent improper transactions *before* they are processed
 - Logical access > Passwords
 - Physical access > Locks, alarms, securing of check stock, etc.

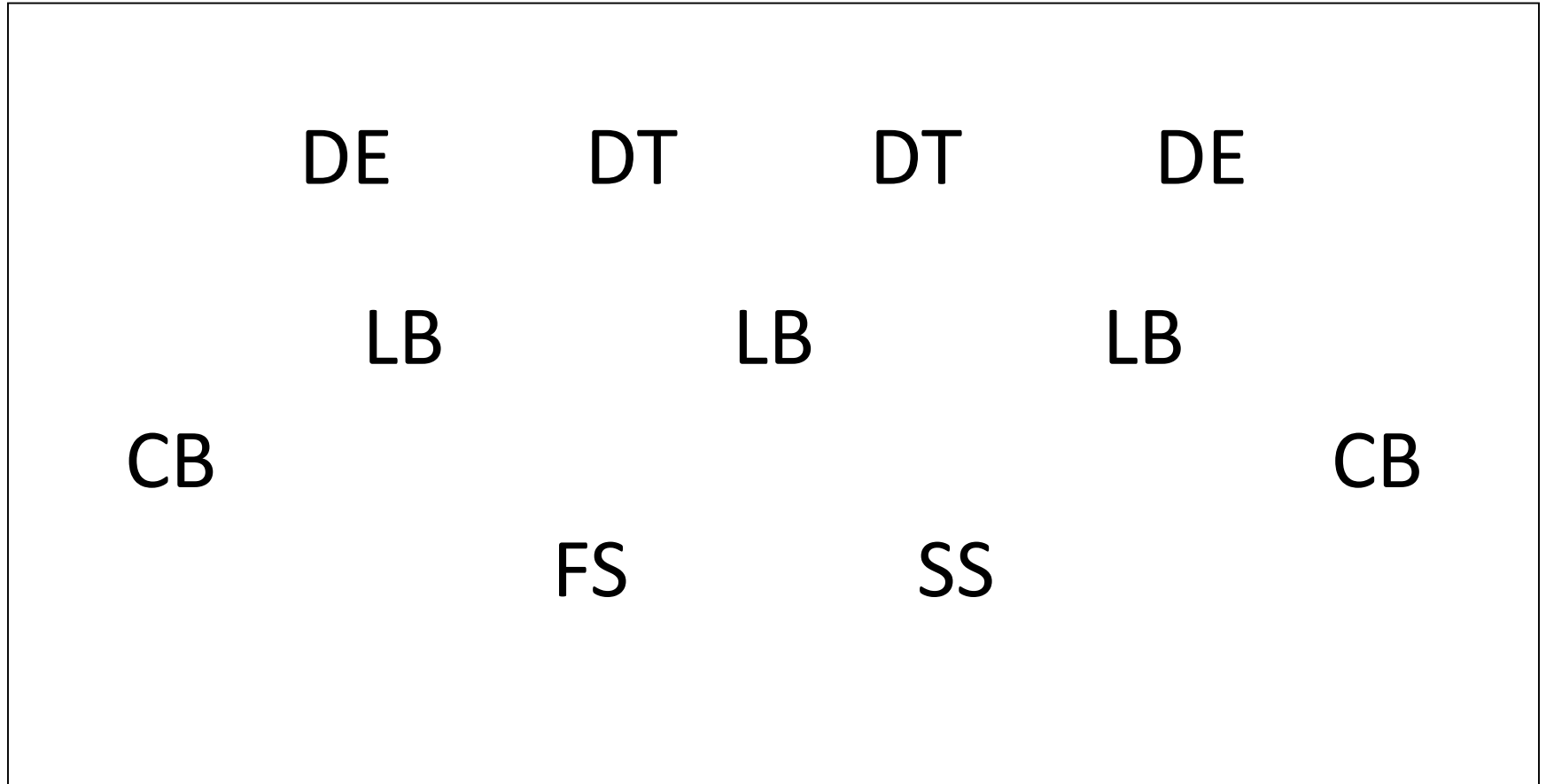


Internal Controls

- Preventive Controls – Work to prevent improper transactions *before* they are processed
 - Logical access > Passwords
 - Physical access > Locks, alarms, securing of check stock, etc.
- Detective Controls – Work to detect improper transactions and activity *after* the fact
 - Account reconciliations
 - Cameras (can also be preventive)



The Three Lines of Defense



The Three Lines of Defense

DE

DT

DT

DE



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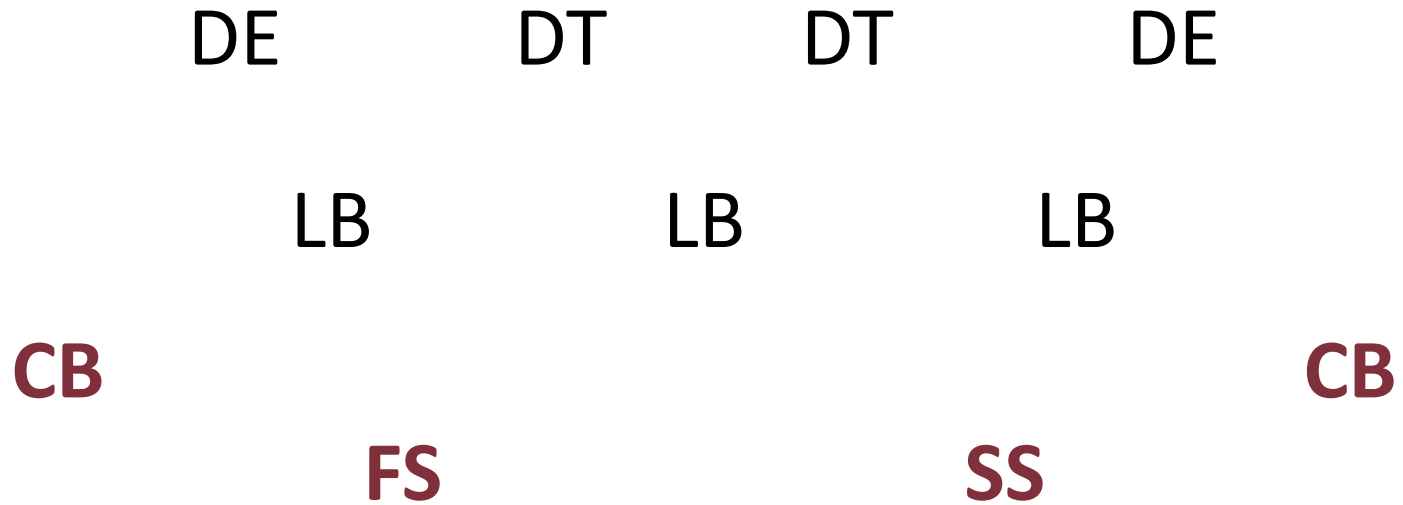
LB

LB

LB



The Three Lines of Defense



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“Operational Management”

This group owns the risk and executes the corresponding controls to mitigate related risk.



The Three Lines of Defense

LB

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“Internal Monitoring/Oversight”

This group is put into place to support senior management by bringing expertise and monitoring to ensure risks and controls are properly managed.



The Three Lines of Defense

CB

CB

FS

SS

“Internal Audit”

This group provides assurance to senior management and the BOT that the first and second lines' efforts are consistent with expectations.



Video Break

<https://www.youtube.com/watch?v=ubNF9QNEQLA>



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What You Can Do

“It’s easy to miss something you’re not looking for.”



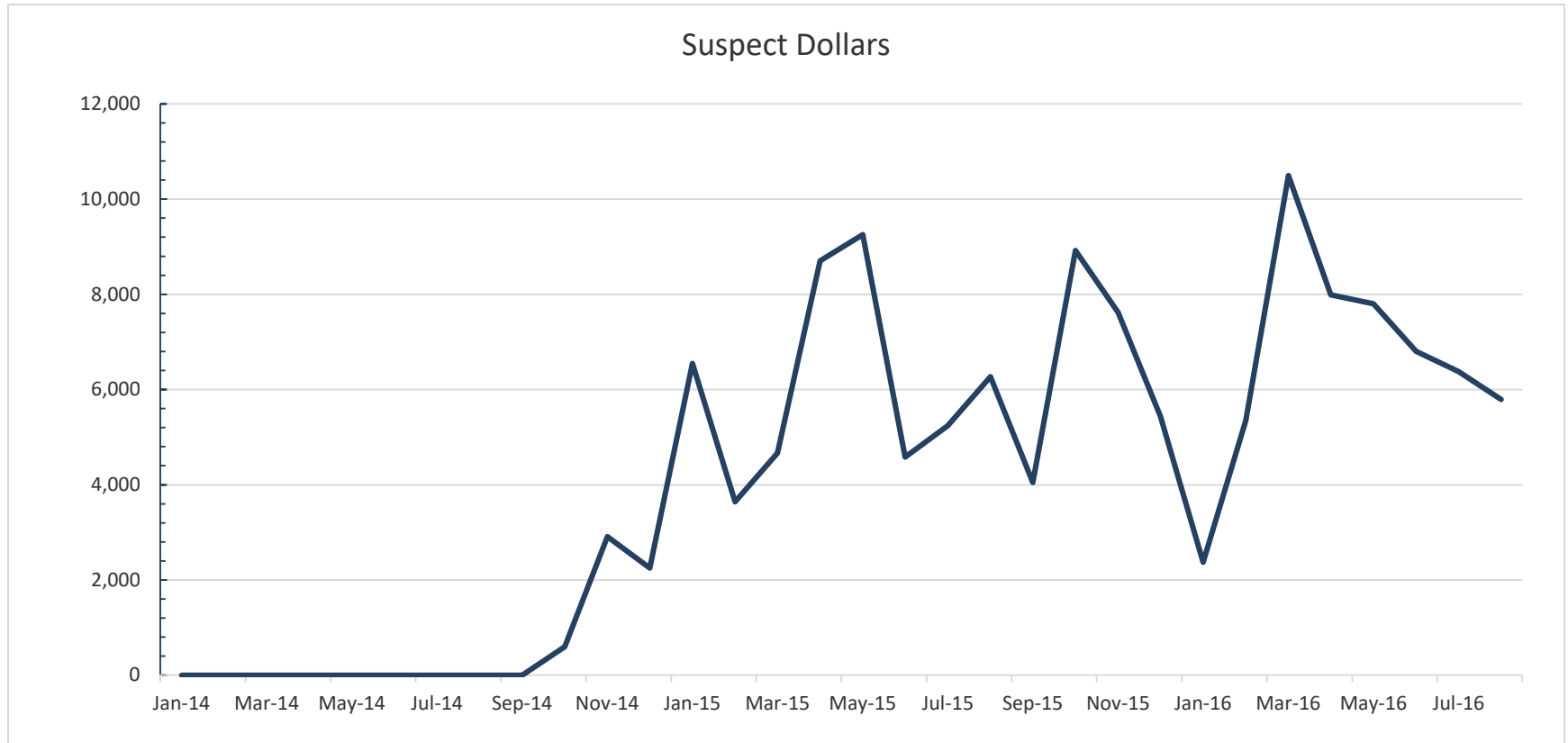
Red Flags

- Living beyond one's means
- Control issues, unwillingness to share duties
- Financial difficulties (gambling, family situation, substance abuse)
- Dissatisfied employee > “They owe me” attitude; “wheeler-dealer” attitude
- Close relationships with vendors or customers



University Fraud

October 2014 – August 2016



If You Suspect

- Clearly written policies and procedures regarding ethics, fraud and abuse
 - *BTRU 1.20 – Dishonest Acts and Fraud*
- University Integrity Line
 - 1-844-890-0006
 - *www.lighthouse-services.com/sc*
- Audit & Advisory Services
 - 803-777-2752
 - *sc.edu > Search on “Audit & Advisory”*



Questions?



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