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
Fraud and Ethics Related Events

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  - **Scheme**: Fraudulent bank account opened; use of university procurement card
  - **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
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
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
Fraud and Ethics Related Events

• Office Coordinator responsible for depositing cash from university recreation center steals over a four-year period
  – **Scheme:** Embezzlement
  – **Cost:** $76,000
Fraud and Ethics Related Events

• Office Coordinator responsible for depositing cash from university recreation center steals over a four-year period
  – **Scheme**: Embezzlement
  – **Cost**: $76,000
  – **Location**: Grand Valley State University
Fraud and Ethics Related Events

• Information Technology Manager purchased goods for personal use with purchasing card; shipped goods to personal residence
  – **Scheme**: Creation and submittal of falsified invoices
Fraud and Ethics Related Events

• Information Technology Manager purchased goods for personal use with purchasing card; shipped goods to personal residence
  – **Scheme**: Creation and submittal of falsified invoices
  – **Cost**: $130,000
Fraud and Ethics Related Events

• Information Technology Manager purchased goods for personal use with purchasing card; shipped goods to personal residence
  – **Scheme:** Creation and submittal of falsified invoices
  – **Cost:** $130,000
  – **Location:** University of South Carolina
Internal Controls

• Preventive Controls – Work to prevent improper transactions \textit{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

DE          DT          DT          DE

LB               LB               LB               LB

CB                                                          CB

FS               SS
The Three Lines of Defense

DE            DT          DT          DE
The Three Lines of Defense

DE          DT          DT          DE

LB           LB          LB          LB
The Three Lines of Defense

DE          DT          DT          DE

LB               LB               LB

CB                                                              CB

FS                           SS
The Three Lines of Defense

“Operational Management”

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

“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
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

Suspect Dollars

0
2,000
4,000
6,000
8,000
10,000
12,000

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?