Fraud Training

10 Truths about Fraud
1. Fraud is Prevalent

- $500,000 fraud was discovered at Snow College in 2003.

- Employee fraud is the most prevalent type of fraud.
2. Anyone can commit Fraud

A fraud perpetrator is likely to:

- Be married
- Be educated beyond High School
- Have no arrest record
- Be between 15–60 years old
- Belong to a church
- Be a trusted employee
Fraud can occur in any department when the following three elements come together:

- Average Person
- Perception of Opportunity
- Pressure or Need

A person sees an opportunity to commit fraud without being caught.

A person must feel their actions are justified whether or not those actions are appropriate.

A person experiencing financial pressure is more likely to participate in fraud.
4. The Best Deterrent is to Increase the Perception of Detection

This can be accomplished by having:

- A strong system of internal controls.
- An obvious presence of internal auditors.
- An organization wide fraud awareness program.
- Hotlines.
- Employees complete fraud assessment questionnaires.
5. Fraud Schemes are Limited in Number

How Can I Fraudulently Obtain My Employer’s Cash?

Take Cash in Some Manner

Larceny (after cash is recorded on company’s books)
Skimming (before cash is recorded on company’s books)

Fraudulent Disbursement Scheme

Billing (e.g., fictitious Vendor)
Payroll (e.g., ghost employees)
Expense Reimbursement (e.g., overstated expenses)
Other (e.g., check tampering, register disbursement)

Trick Employer Into Paying Me Cash
6. There are Warning Signs

For example, signs of fictitious vendor schemes include:

- Invoice numbers are not consecutive.
- Normal vendor information is missing.
- Invoices have even dollar amounts.
- Invoices have altered information.
- Supporting documentation is missing.
According to a KPMG study, employees who commit fraud are likely to:

- Be experiencing personal financial pressure.
- Abuse drugs, alcohol, or gamble excessively.
- Make extravagant purchases.
- Live an extravagant lifestyle.
Tips and accidents are the most common methods of finding fraud.

Methods for Discovering Fraud
(ACFE's 2002 Fraud Survey)
8. Ethics Point is Useful

- Anonymous Reporting System
  - Independent, Confidential, Available 24/7
  - Through 3rd party provider, Ethics Point
  - Notices sent to Internal Audit and investigator, typically an Associate VP or Executive Director
  - When investigation complete the Ethics Point web site is updated by Internal Audit

- Access to Ethics Point is through:
  - Internal Audit web page

- Report Concerns → Make a report using Ethics Point
  http://www.uvu.edu/audit/
Quick action is important once the fraud is identified.

If immediate and appropriate action isn’t taken, the wrong message is sent.

Management should adjust processes and increase training to deter fraud in the future.
10. Prevention is Superior to Detection

- Fraud losses directly impact departmental budgets.
- Fraud losses are generally not recovered.
- Fraud indirectly absorbs time and resources.
- Employees need to be given the chance to help stop a fraud.
- Positive work environments increase employee morale and reduce motives to commit fraud.
Questions?

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Bibliography

- Strategic Finance—May 2004 issue “10 Truths about Fraud” pg. 29