

Fraud Awareness

Employee's guide

Ways that you can help

- Educate yourself on what fraud is
- Know what to look for to detect fraud
- Know who to contact when fraud is suspected



What is Fraud?

Fraud is –

- Any illegal acts (violations of laws and governmental regulations)
- Characterized by deceit, concealment, or violation of trust.
- These acts are not dependent upon the application of threat of violence or physical force.
- Frauds are perpetrated by individuals and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.
- Intentional



Types of Fraud

- Fraudulent financial reporting (“cooking the books”) – examples
 - Falsification of accounting records
 - Omissions of transactions
- Misappropriation of assets – examples
 - Theft of assets
 - Fraudulent expenditures

Other examples of fraud

- Bribery
- Conspiracy
- Alumni Affairs / Development
 - Keeping gifts
 - Overstating amounts of gifts received
- Embezzlement
- Equipment
 - Improper sale of
 - Personal use of
 - Theft
- Forgery
- Conflicts of Interests
- Use of state property for personal gain
- Purchasing
 - Bid rigging
 - Kickbacks
 - Purchase of inferior products
 - Purchase of personal items
- Athletics
 - Eligibility falsification
 - Ticket Sales Falsification
 - Travel records “Fudging”
- Payroll
 - Creating fictitious employees
 - Inflating hours worked
- **AND MANY MORE**

Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting

Characteristics of Fraud

- Fraud is a misrepresentation of a material fact
- With the INTENT to deceive or with reckless disregard for the truth (scienter)
- The victim relies on the misrepresentation
- The victim suffers damages due to the reliance

Other Characteristics of Fraud

- Fraud can often be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties.
- The time and expense required for fraud detection and investigation is very costly compared to prevention and deterrence measures

How to minimize the risk of Fraud

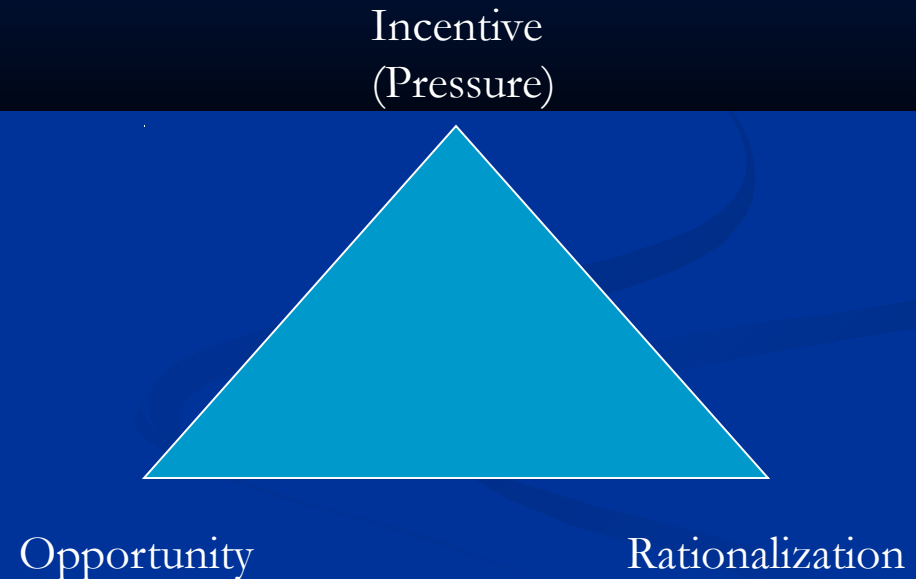
- Implementing internal controls, such as:
 - Using prenumbered documents
 - Authorizing transactions
 - Using Independent checking systems (cross referencing and comparing information between departments)
 - Documentation
 - Segregation of duties (authorizing, recordkeeping, custody)
 - Analysis and performance reviews
 - Physical control implementation

Components of Internal Control

- Control Environment (setting the tone at the top)
- Risk assessment by management
- Information and Communication (identification, capture, and exchange of information in a timely and useful manner and providing an understanding of roles and responsibilities)
- Monitoring
- Existing Control Activities
 - Timely and appropriate performance reviews
 - Information processing general and applications controls to ensure that transactions are valid, properly authorized, and completely and accurately recorded
 - Physical controls for safeguarding assets
 - Segregation of duties for authorizing transactions, recording transactions, and maintaining custody of the related assets

Fraud Conditions

- Incentive (Pressure)
- Opportunity arises
- Rationalization (Attitude)



Contact Information

When an employee has reason to believe that a fraud has occurred....

- The employee should....
 - Notify his/her immediate supervisor, unless the supervisor is the individual involved. If so, notify the supervisor's superior
- The supervisor should immediately
 - Notify the President's Office
 - Lisa Sullivan, President's Administrative Assistant
lsullivan@mcneese.edu
 - 475-5556
 - Notify the Internal Auditor
 - Victoria Roach – vroach@mcneese.edu
 - 475-5590
 - Notify the University Police Department
 - Cinnamon Salvador, Chief
 - Mary Darbonne, Police Investigator
 - 475-5711