

# Fraud Awareness & Prevention for Higher Education

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# Goals

- Raise your fraud awareness and introduce you to fraud prevention methods.

# Disclaimers

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# Why?

- Education is a high risk industry (ACFE)
- Trustee survey: about 50% said “no ability to detect fraud.”
- Assessing fraud risk is the responsibility of the oversight body. (GAO) If risk identified, then.....

# Why?

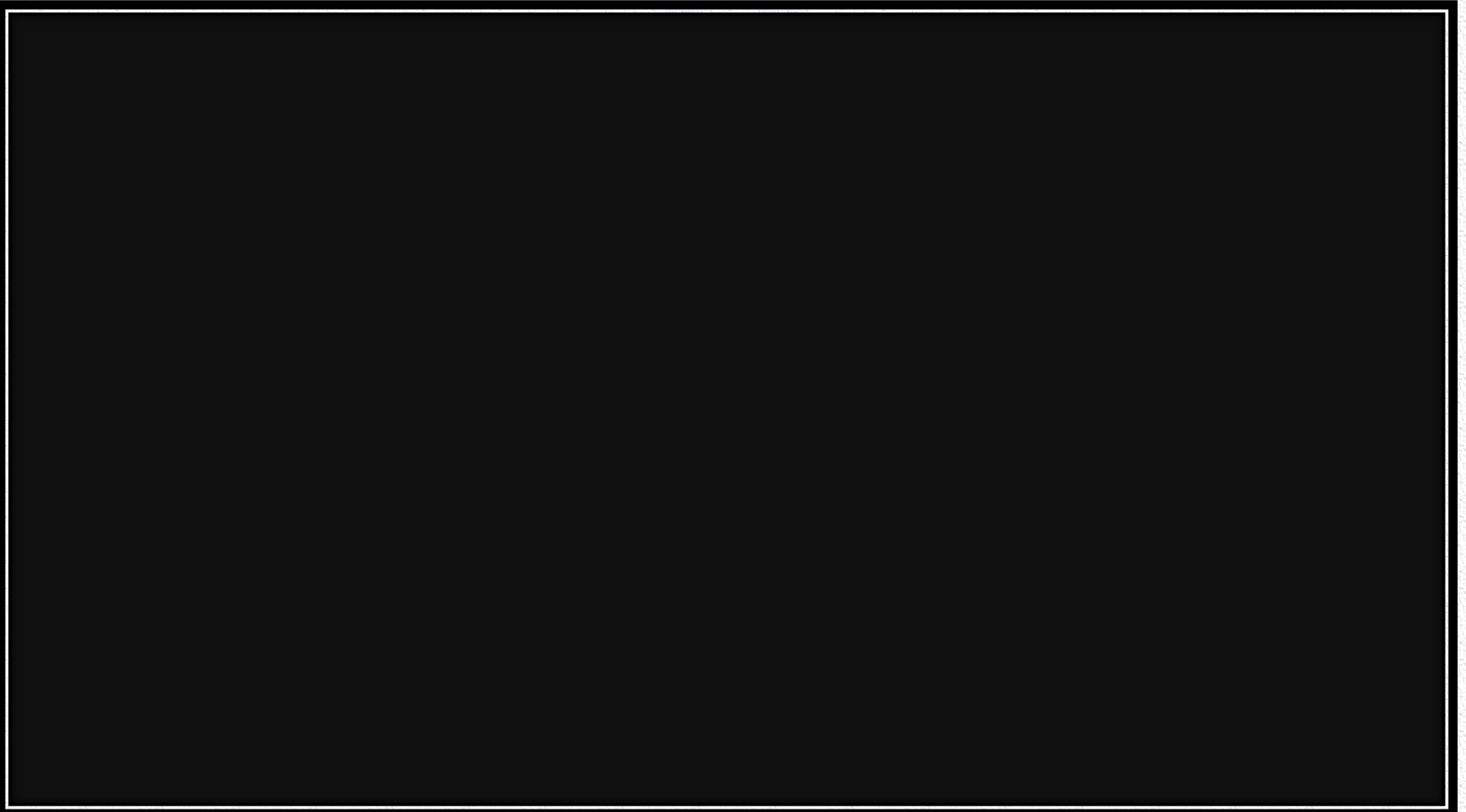


- Fiduciary Duty (Loyalty, Candor, Care) – includes fraud prevention since fraud can harm the entity.

**Goal #1: Raise you awareness**

**The following is to test your  
awareness**

# Raising Awareness



What did you learn about our  
level of awareness?





# What is fraud?

- SIMPLE: Lying to get something that doesn't belong to you.
- Deception, concealment, and/or a violation of trust. ----- for gain
- Fraud is committed by individuals and/or organizations to obtain or keep something of **value or gain** an advantage (cheating)

# Value in Higher Education

- Assets, resources, time, intellectual property
- Grants & Contracts
- Grades, assistantships, recommendations
- Financial aid
- Reputations
- Admissions
- Anything tangible or intangible!

# Fraud is a Crime!

- Like most crimes, fraud occurs with regularity, does not discriminate, can be of any size, complexity, or duration.
- Failure to report a crime is also considered a crime.



# Examples



- Procurement card abuse
- Embezzlement
- Credit card abuse
- Theft
- Asset misappropriation
- Document tampering
- Cheating

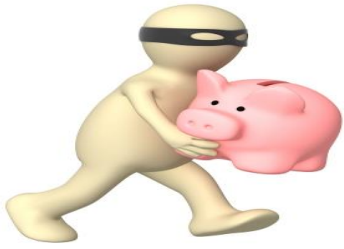
# Theory: The Fraud Triangle



# Theory: 80-10-10 Rule

Refers to a general assumption about the “human element”

- **10%** of the population will NEVER commit fraud. Dominant “Super-ego.”
- **10%** of the population is actively looking to commit fraud. Sociopathic tendencies. Dominant “Id”
- **80%** of the population might commit fraud given the right combination of opportunity, pressure, and rationalization. Us!!!!



# Typical Fraudster

(2014 ACFE Report to the Nations)

- **36%** in management, **19%** high level executive
- **50%** between ages of 36 -50
- **67%** male
- **25%** w/entity 10+ years
- Living beyond means = key red flag
- **18%** in accounting office
- Responsible, trusted, respected employees

# Typical Fraud

- Median loss for executive-level = \$600,000
- Executive-level fraud lasts an average of 2 yrs.
- Top Causes (how do you eliminate the cause?):
  - Poor internal controls
  - Poor management oversight
  - Management overrides
  - Poor Tone at the Top





# Fraud Costs

- **7% – 10%** of revenue lost (ACFE)
- “Bad Press”
- Reputation/Public perception (73% say top risk)
- Employee morale/distraction
- Legal, investigative, corrective action costs
- Lost funding, donations, etc.)

# Goal #2: Prevention

## Limiting Opportunity

- “Trust but verify”
- Practice skepticism
- Ask questions
- Be proactive (27% said this could have prevented it)
- Anti-fraud system

# Anti-Fraud System

- Hotlines or other reporting mechanism
- Cultivate positive Tone at the Top
- Adequate Internal Controls
- Training (35% reduction in losses)
- Meaningful oversight (internal & external)
- Security (passwords, IT monitoring, locks)

# Risk Assessment

- Perform a Risk Assessment to identify vulnerabilities at the program level, system-wide or anywhere in between.

# Fraud Response Plan

- Have you thought about what to do in the event that a major fraud is identified?
  - Whom do you call?
  - How do you respond?
  - Who should be on the response team?

Deloitte Touche: Only 49% of Board members believe their organizations are prepared to handle a crisis [any] to achieve a positive outcome. Over 80% say either they have no plan or don't know.

65% believe their organizations are vulnerable to malfeasance!

65% say they have no plans to address an occurrence of malfeasance !

# Deterrents & Enforcement

- Fraud risk increases when fraudster's fear of detection decreases
  - Speeding
  - NO PARKING
  - KEEP OFF THE GRASS
  - NO SMOKING
  - EMPLOYEES MUST WASH HANDS



**We need to be “aware” because no matter what we do, we could be fraud victims.**

# QUESTIONS?????

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