



Fraud Awareness Training

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Agenda

- Fraud - what does it mean
- Policy
- Fraud Triangle
- Three main types
- Profile of a fraudster
- **RED FLAGS** of fraud

The “F” word!

Legal:

“A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment.” *Black’s Law Dictionary, 3rd Ed. Criminal or civil fraud (tort)*

The “F” word!

Working:

A form of employee misconduct where an employee uses deceit to take (steal) or misuse an employer’s resources. *The IIA Fraud Awareness Training, March 16, 2017*



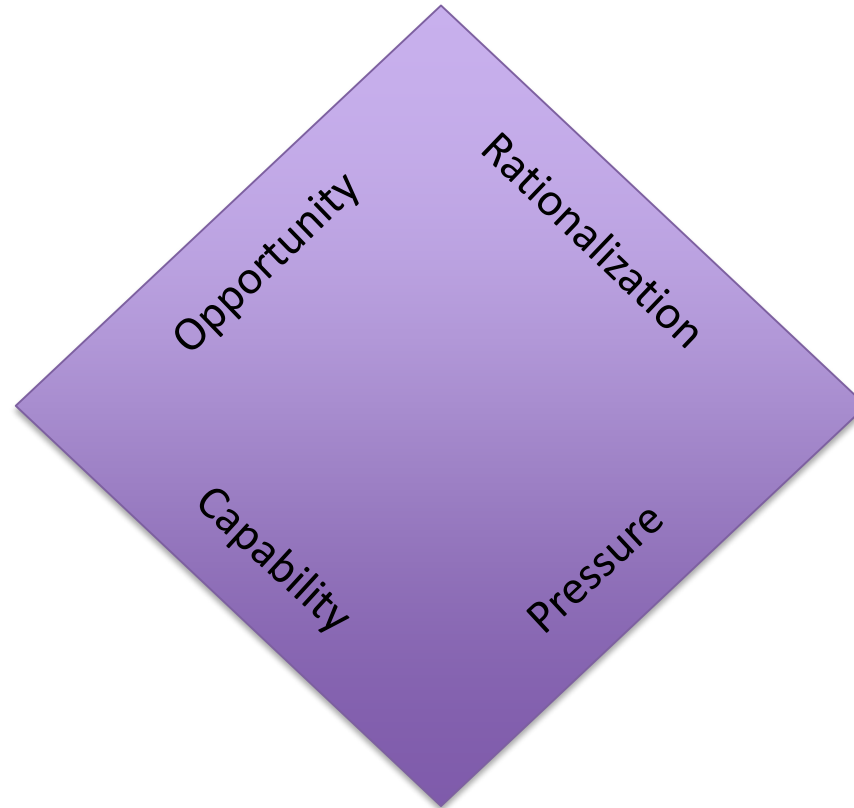
PPM Chapter 3230 - Reporting Fraud

- Definition
- Responsibilities
- Reporting Fraud
- Whistleblower Act

THE FRAUD TRIANGLE



The Fraud Diamond



Fraud Triangle - Opportunity

- WEAK INTERNAL CONTROLS
- POOR TONE AT THE TOP
- INADEQUATE ACCOUNTING POLICIES

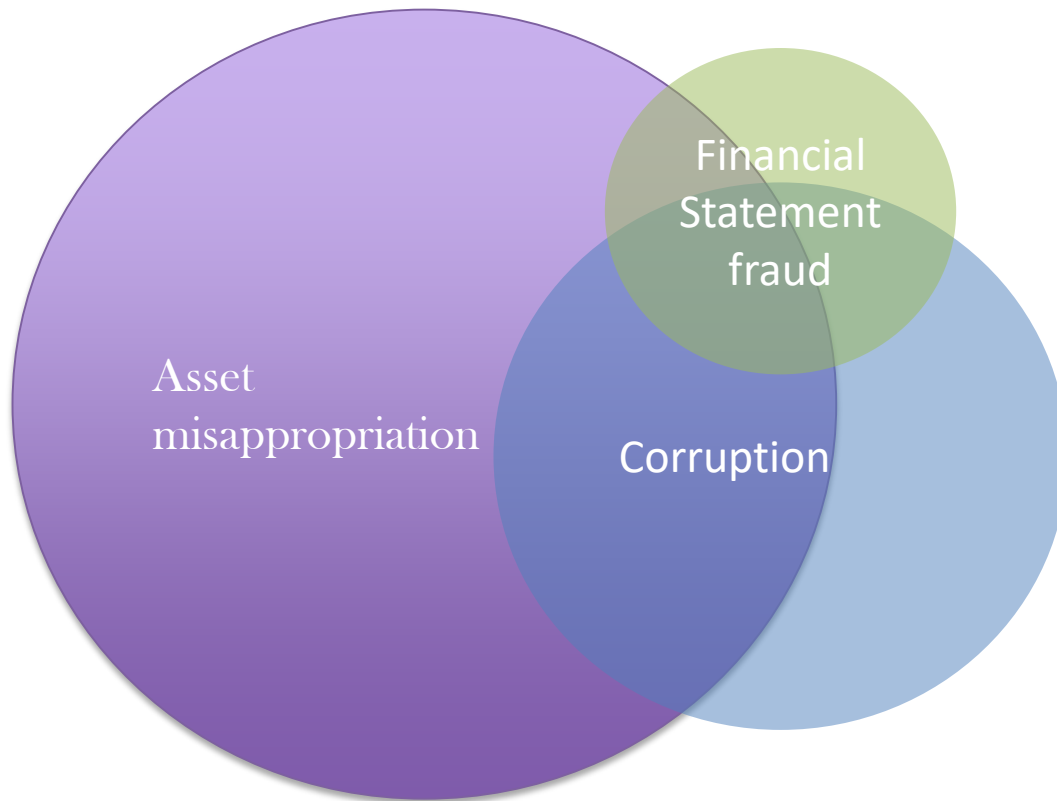
Fraud Triangle - Rationalization

- “I’m a hard worker and they’re not paying me nearly enough in salary. They owe me.”
- “I really need this money and I’ll repay it when I get my paycheck.”
- “Upper Management is doing it too!”

Fraud Triangle - Pressure

- Personal financial problems
- Survival
- Status pressure
- Unrealistic performance goals or performance goals tied to financial measures

Main Types of Fraud



Asset Misappropriation

Cash

- On hand (petty cash)
- Cash receipts (accounts receivable)
- Fraudulent disbursements
 - False invoices
 - Personal purchases with University funds
 - Falsified hours and/or salaries
 - Requesting reimbursement for personal expense
 - Forging signature on checks
 - Altering payee info
 - False refunds/voids

Asset Misappropriation (cont'd)

- Inventory
 - Misuse
 - Use not associated with intended use
 - Vehicles, supplies, computers, other office equipment
 - Theft



Corruption

- Conflicts of interest
- Bribes - taking or offering
- Blackmail
- Embezzlement
- Tax evasion
- Forgery
- Nepotism or favoritism

Profile of a Fraudster

Demographics

Highest Frequency

Gender:

- Male

Age:

- 31 - 45 Years

Position:

- Employee

Tenure:

- 1 - 5 Years

Department:

- Accounting

2020 ACFE Report to the Nations

RED FLAGS

- Living beyond one's means
- Financial difficulties
- Unusually close association with vendor/customer
- Control issues, unwillingness to share duties
- Irritability, suspiciousness, or defensiveness
- “Wheeler-dealer” attitude
- Divorce/family problems

RED FLAGS (cont'd)

PERPETRATOR'S POSITION

Owner/ Executive		Employee
24%	Unusually close association with vendor/customer	16%
21%	Control issues, unwillingness to share duties	8%
22%	"Wheeler-dealer" attitude	9%
18%	Irritability, suspiciousness, or defensiveness	10%
23%	Financial difficulties	35%
4%	Complained about inadequate pay	11%

PERPETRATOR'S GENDER

Male		Female
24%	Financial difficulties	39%
11%	Divorce/family problems	20%
2%	Instability in life circumstances	6%
24%	Unusually close association with vendor/customer	11%
16%	"Wheeler-dealer" attitude	6%
8%	Complained about inadequate pay	3%



Lifestyle Changes

- Vacations
- Vehicles
- Clothing
- Donations/gifts
- Homes/renovations
- Personal grooming
- Business/investments
- Recreational activities

Behavior Changes

- Brags about purchases
- Possesses unusual amount of cash
- Borrows money from co-workers
- Collection calls at work
- Outside business calls at work
- Irritable/moody
- Takes PTO in small increments (a day here, a day there)
- Redoes or rewrites work to “make it neat”

Common Behavior Changes (cont'd)

- Unreasonably upset when work is questioned
- Comes in early or stays late
- Communicates family/financial problems
- Absenteeism
- Manipulative behavior
- Looks/acts ill
- Illogical/inconsistent decisions/actions
- Sleep loss
- Appetite loss
- Frequent complaints about work
- Decreased productivity
- Irregular schedule

How is Fraud Detected?

- Tips
- Internal Audit
- Management review
- Account reconciliations
- Document examination
- By accident
- Confession
- External audit
- Surveillance/monitoring
- Notified by law enforcement

What Can You Do?

- If you see something, say something
- Ask questions
- University and department policies
- Appropriate internal controls
 - Timesheets
 - Inventory
 - Reviews
 - Segregation of duties

Cash Handling

Responsibility	Duty Category	Ideal: 4 person	Good: 3 person	Minimal: 2 person
Handling cash	Asset handling	Employee 1	Employee 1	Joint - Employees 1 & 2
Prepare deposit	Booking	Employee 2	Employee 2	Joint - Employees 1 & 2
Reconcile receipts to deposit	Booking	Employee 3	Employee 3	Employee 2
Record deposit to GL	Booking	Employee 3	Employee 3	Employee 2
Making cash deposit at Cashier's Office	Asset handling	Employee 1	Employee 1	Employee 1
Compare deposit to GL entries	Reconciliation	Employee 4	Employee 3	Employee 2

Purchasing

Responsibility	Duty Category	Ideal: 4 person	Good: 3 person	Minimal: 2 person
Order initiation	Asset Handling	Employee 1	Employee 1	Employee 1
Order approval	Booking	Employee 2	Employee 2	Employee 2
Confirmation of receipt of goods	Asset Handling	Employee 3	Employee 1	Employee 1
Payment of invoice	Booking	Employee 2	Employee 2	Employee 1
Ledger review and certification	Reconciliation	Employee 4	Employee 3	Employee 2

Billing & Receivables

Responsibility	Duty category	Ideal: 4 person	Good: 3 person	Minimal: 2 person
Review and approval of billing data included on bills	Booking	Employee 1	Employee 1	Employee 1
Billing adjustment issuance (credit, write-offs, etc)	Asset Handling	Employee 2	Employee 2	Employee 2
Billing adjustment transaction ledger or billing system recording payment	Booking	Employee 3	Employee 1	Employee 1
Comparison of AR balance in GL to total billings in billing system	Reconciliation	Employee 4	Employee 3	Employee 2

What Do I Do if I Suspect Fraud?

- Contact IA
 - jjoy@ksu.edu or 785-243-0245
 - olgavolok@ksu.edu or 785-317-4401
 - cbuchan@ksu.edu or 785-817-3313
- Contact KSU Police Department
 - police@k-state.edu or 785-532-6412

Questions?

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