

Fraud Awareness Overview

A
Short Presentation
From
Your Internal Audit Department

*With assistance from the Office of the State Controller
and the EAGLE Training Team*

What is Fraud?

Fraud Defined

- **Fraud** “is an intentional act that results in a material misstatement in financial statements that are the subject of an audit.”
 - Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*

Fraud vs. Error: The difference between sloppy accounting and fraud is **INTENT**.

- What is known or should have been known

What are some examples of fraud?

Types of Fraud

Misappropriation of Assets – theft or misuse of company assets

Corruption – abusing influence and power within organization to obtain some benefit at organization's expense

Fraudulent Financial Reporting – intentional misstatements or omissions of amounts or disclosures in financial statements

Who commits fraud and why?

Who Commits Fraud?

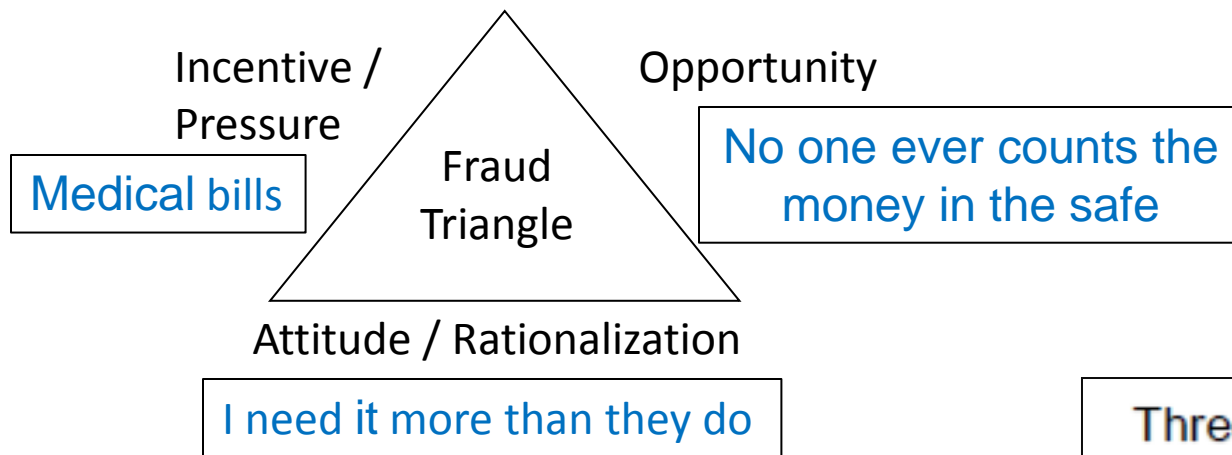
Management

Manipulation of the accounting records (Management fraud is fraudulent financial reporting.)

Employees

Stealing the University's assets such as cash, inventory, etc. (Employee fraud is fraud perpetrated by employees against the organization.)

How and Why Fraud Occurs



Three conditions typically present when fraud occurs:

- Incentives or pressures on management
- Opportunity exists (i.e., control weaknesses)
- Ability to rationalize and/or justify the perpetration

Profile of the Fraudster

Age – approximately 50% are 40+ years

- 50's - median loss is \$500K (18.9% of cases)
- Under 40 years old - median loss is less than \$145K

Male 59% vs. Female 41%

Above average education

Executives vs. Employees

- Employees 77% - median loss of \$70K for employees and \$150K for managers
- Executives 23% - median loss above \$834K

No criminal record

Position of trust

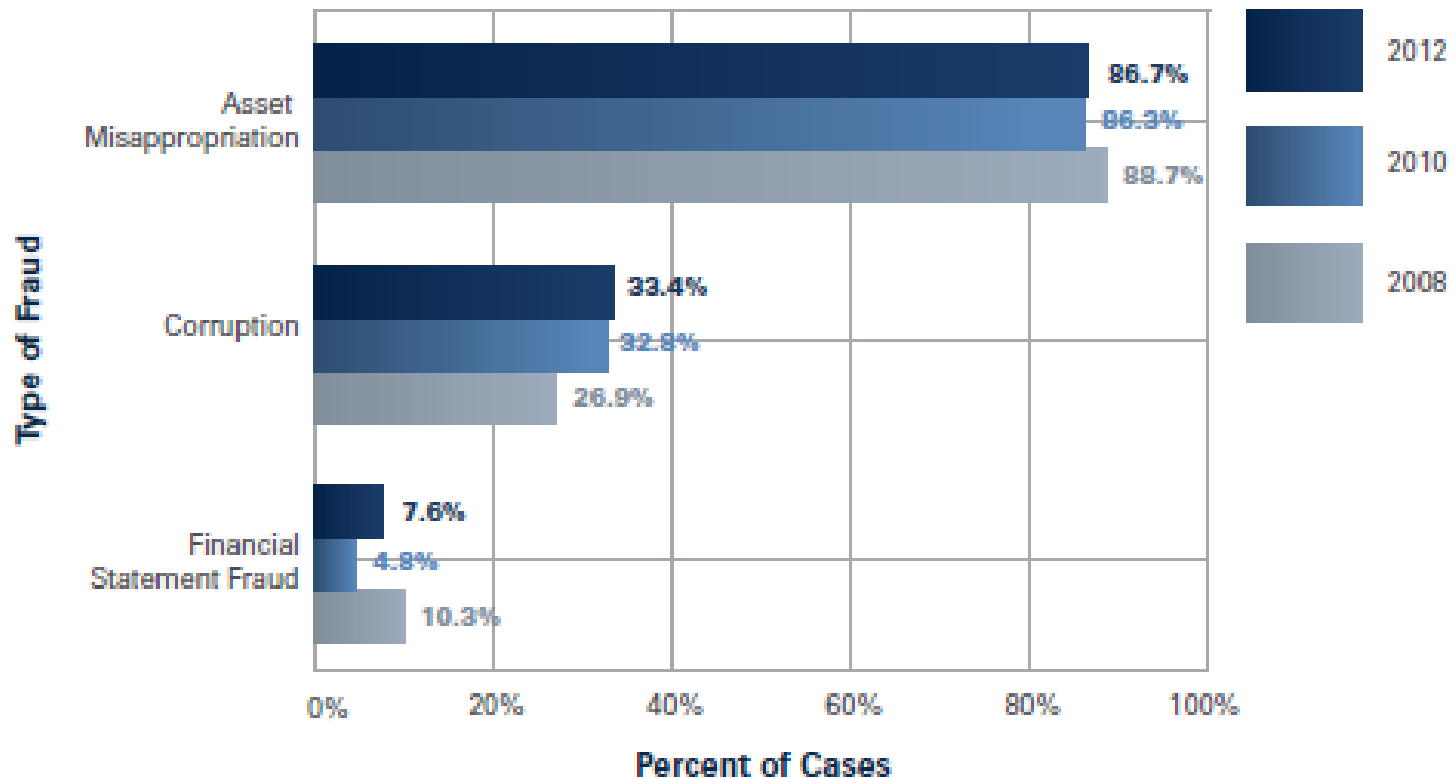
Source: Association of Certified Fraud Examiners 2008 Report to the Nation on Occupational Fraud and Abuse

There is no “typical” fraudster!

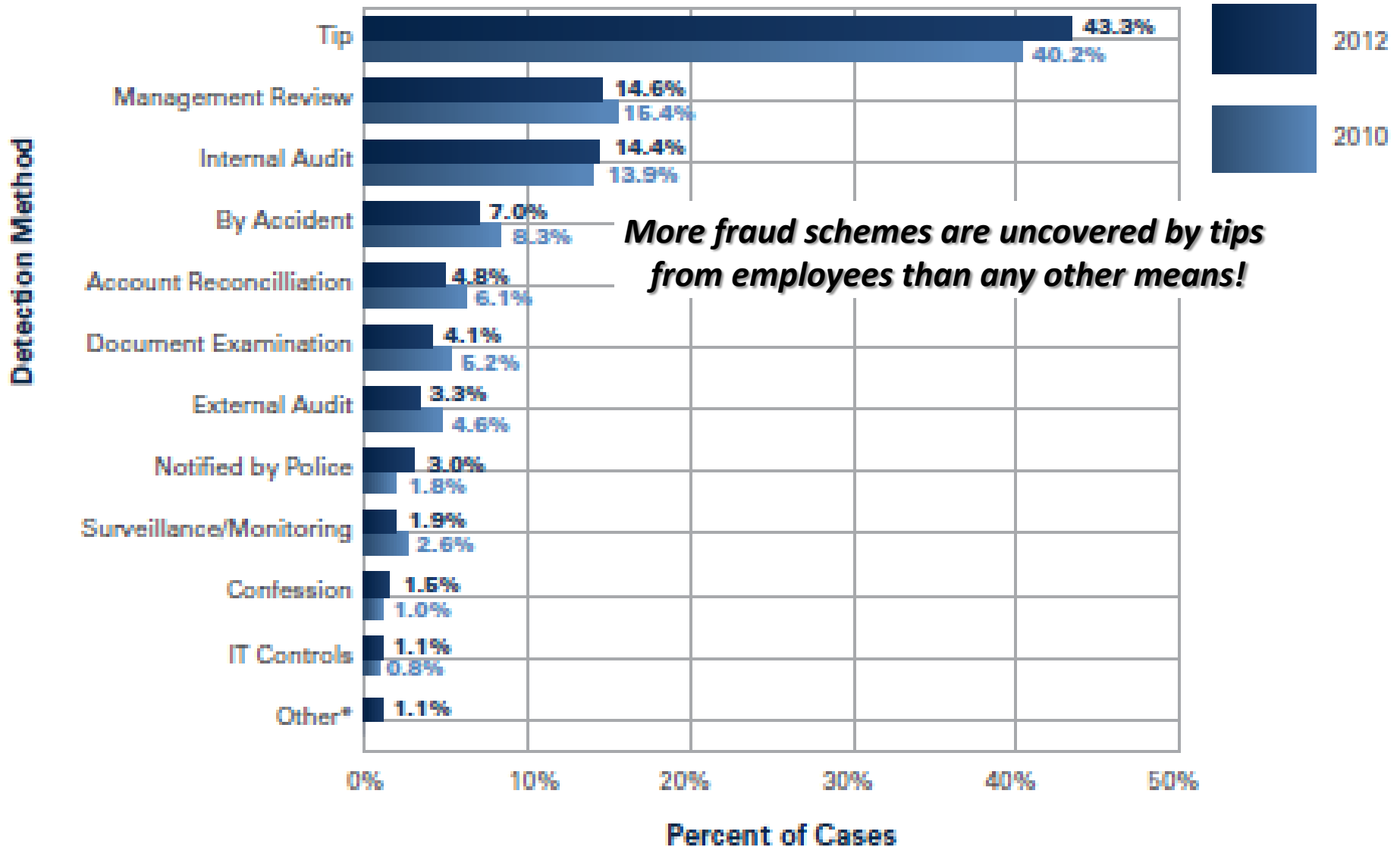
The Cost of Fraud

It is estimated that fraud in the typical organization translates to 5% of annual revenue. Using our FY2011 financial statement figures, this would be almost **\$23 million**

Occupational Frauds by Category — Frequency



How Fraud Is Uncovered



Duty to Report

Under NC law and University policy, you have a responsibility to report:

- Violations of State or federal law, rule, or regulation
- Suspected Fraud or Misappropriation of State resources
- Substantial and specific danger to the public health and safety
- Gross mismanagement, waste of monies, or gross abuse of authority

Whistleblowers have protection from retaliation (NC General Statutes 126-85). You may report potential fraud to Internal Audit anonymously.

If you witness a **crime**, call **Campus Police** at **7-2200**.

Report suspected fraud, waste or abuse to:

- UNC Charlotte Internal Audit, 7-5693
- Office of the State Auditor Hotline, 1-800-730-TIPS (8477)



Any questions or comments, don't hesitate to call or write



Welcome



The Internal Audit Department was established at UNC Charlotte in September 1973 in response to a recommendation by the North Carolina Governor's Efficiency Study Commission that internal auditing be coordinated and expanded at all state universities. D. Ronald Whitley, a former state auditor, was hired as the first Internal Auditor for the University.

The Internal Audit Department serves the Board of Trustees and administrators of the University of North Carolina at Charlotte as an independent, objective assurance and

consulting activity designed to add value and improve the University's operations. The Department assists the University in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

Quick Links

- [Report Fraud, Waste, & Abuse](#)
- [Internal Audit Standards](#)
- [Self Assessment of Internal Controls - Aug 2012](#)
- [Department Self Assessment Review Guide - Aug 2012](#)
- [Ethics](#)
- [Project Feedback](#)
- [The Basics of Internal Controls](#)
- [Segregation of Duties](#)

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