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 is any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.

-Association of Certified Fraud Examiners

The difference between Fraud and an Error is INTENT
What are some examples of fraud?
3 Types of Fraud

Asset Misappropriation
• 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
Fraud Facts

Note: The Association of Certified Fraud Examiners – 2016 Report to the Nation is the source of the charts and graphs in this section of the presentation.
Most Common Fraud Schemes

Figure 4: Occupational Frauds by Category—Frequency

- Asset Misappropriation
  - 2016: 83.5%
  - 2014: 85.4%
  - 2012: 86.7%

- Corruption
  - 2016: 35.4%
  - 2014: 36.8%
  - 2012: 33.4%

- Financial Statement Fraud
  - 2016: 9.6%
  - 2014: 9.0%
  - 2012: 7.6%

Source: Association of Certified Fraud Examiners – 2016 Report to the Nation
Breakdown by Industry

Figure 43: Industry of Victim Organizations

The chart illustrates the percent of cases across various industries. The Education sector has the highest percentage at 6.0%, followed closely by Banking and Financial Services at 16.3%. Other industries such as Manufacturing, Government and Public Administration, and Retail also have notable percentages.
### Schemes by Industry

#### Figure 45: Frequency of Schemes Based on Industry

<table>
<thead>
<tr>
<th>Industry/Scheme</th>
<th>Banking and Financial Services</th>
<th>Government and Public Administration</th>
<th>Manufacturing</th>
<th>Health Care</th>
<th>Education</th>
<th>Retail</th>
<th>Construction</th>
<th>Insurance</th>
<th>Oil and Gas</th>
<th>Technology</th>
<th>Services (Other)</th>
<th>Transportation and Warehousing</th>
<th>Telecommunications</th>
<th>Religious, Charitable, or Social Services</th>
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<tr>
<td>Cases</td>
<td>368</td>
<td>229</td>
<td>192</td>
<td>144</td>
<td>132</td>
<td>104</td>
<td>86</td>
<td>85</td>
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<td>Billing</td>
<td>9.5%</td>
<td>25.3%</td>
<td>32.8%</td>
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<td>15.4%</td>
<td>27.9%</td>
<td>17.6%</td>
<td>20.3%</td>
<td>29.7%</td>
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<td>9.7%</td>
<td>13.6%</td>
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<td>4.7%</td>
<td>4.1%</td>
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<td>17.6%</td>
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<td>18.6%</td>
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<tr>
<td>Skimming</td>
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<td>11.8%</td>
<td>6.5%</td>
<td>18.3%</td>
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</tbody>
</table>
How & Why Fraud Occurs

Pressure
Motivation or incentive to commit fraud
- I have to pay the medical bills.
- No one ever counts the money in the safe.

Rationalization
Justification of dishonest actions
- I need it more than they do.

Opportunity
Ability to carry out the fraud; control weakness

FRAUD
Profile of a Fraudster

1,038 CASES

50.7% have a university degree or higher

55.7% MALE

44.3% FEMALE

United States

OWNERS/EXECUTIVES: 3.7%
MANAGERS: 31.1%
EMPLOYEES: 45.3%
3.7% OTHER

43 MEDIAN AGE

TOP 3 DEPARTMENTS

11.4%
Executive/Upper Management

20.0%
Operations

16.1%
Accounting
The Cost of Fraud

How much is the average cost of fraud?
5% of annual revenue

How much to the University?
$31.2 million
How is fraud uncovered?
More fraud schemes are uncovered by tips from employees than any other means!
Where do tips originate?

- **Employee**: 51.5%
- **Customer**: 17.8%
- **Anonymouse**: 14.0%
- **Vendor**: 9.9%
- **Shareholder/Owner**: 2.7%
- **Competitor**: 1.6%
- **Other**: 12.6%

Source: Association of Certified Fraud Examiners – 2016 Report to the Nation
How can you help?
Duty to Report

- Under NC law and University Policy, State Employees have a responsibility to report

  - Standards of Conduct – UP 804

  - Whistleblower protection – UP 803
Options for Reporting Fraud:

1. Supervisor

2. Internal Audit
   (704) 687-5693

3. University’s third party anonymous hotline
   (844) 251-1873

4. Office of the State Auditor → Anonymous
   (800) 730-TIPS (8477)
Any questions or comments, don’t hesitate to call or write

https://internalaudit.uncc.edu/
EthicsPoint Hotline

UNC Charlotte’s mission of teaching, research and public service carries with it a duty to act in an ethically responsible manner and in accordance with applicable laws, regulations, policies and procedures. The Standards of Ethical Conduct – University Policy 804 serves as a guide for ethical, legal and professional behavior in all dealings both within and outside of the University.

UNC Charlotte is committed to fostering an environment where open, honest communications are the expectation, not the exception. We want you to feel comfortable approaching your supervisor with a concern, but recognize that there may be situations where this might be uncomfortable or inappropriate. In situations where you prefer to place an anonymous report in confidence, you are encouraged to use this hotline, hosted by a third party hotline provider, EthicsPoint, to report instances of potential non-compliance with laws, regulations, university policies, standards or other concerns, as well to ask for ethics and compliance guidance and to provide positive suggestions.

State law and University Policy 803 - Reporting and Investigation of Suspected Improper Activities and Whistleblower Protection prohibits interference with or retaliation against a member of the University community who reports suspected improper activities unless the person making the report knows or has reason to believe that the report is false or inaccurate.

See the EthicsPoint FAQs for more information.

To Make a Report

You may use either of the following two methods to submit a report:

- Select "Make a Report"

  OR

- Dial toll-free, within the United States, Guam, Puerto Rico and Canada: 844-251-1873

After you complete your report you will be assigned a unique code called a "report key." Write down your report key and password and keep them in a safe place. After 5-6 business days, use your report key and password to check your report for feedback or questions.

EthicsPoint is NOT a 911 or Emergency Service: Do not use this site to report events presenting an immediate threat to life or property. Reports submitted through this service may not receive an immediate response. If you require emergency assistance, please contact Campus Police at 704-687-2200.
Office of the State Auditor

http://www.ncauditor.net