



Your input matters...

We will be soliciting your input during our presentation. Please log on to the website below and use code **41 12 63** to participate in audience polls.

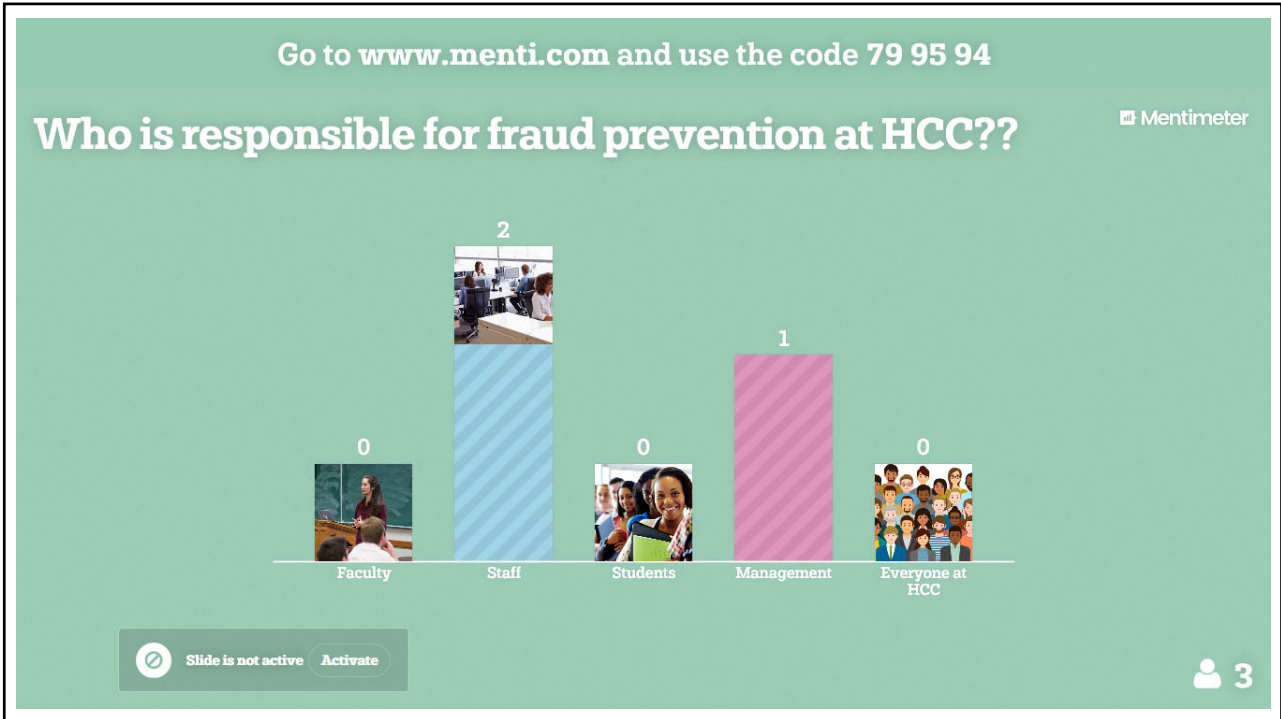
www.menti.com





Learning Objectives

- What is fraud?
- Why fraud happens
- Ways to reduce fraud risk
- How to report possible fraud



You Are HCC's MOST IMPORTANT Control!

Fraud defined...

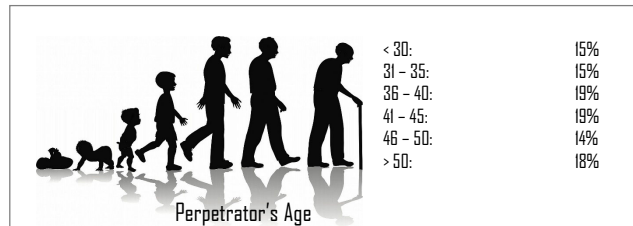
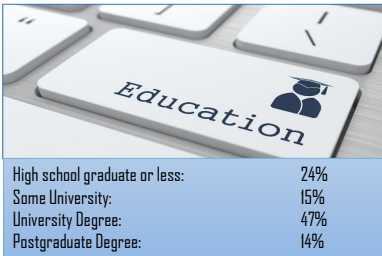
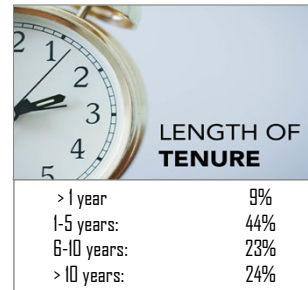
"Any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain." *

*Source: The Institute of Internal Auditors (IIA), The American Institute of Certified Public Accountants (AICPA), & Association of Certified Fraud Examiners (ACFE), *Managing the Business Risk of Fraud: A Practical Guide* (pp. 5).

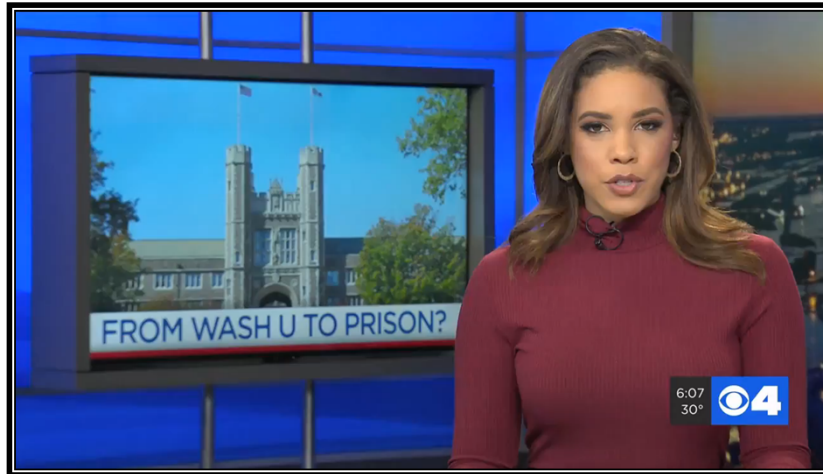
What does a "TYPICAL" Fraudster look like?



Owner/Executive	19%
Manager	34%
Employees	44%
Others	3%



Fraud News Headlines



Most Common Categories of Fraud

(Occupational-committed by employees against employers)

Asset Misappropriation

- Involves the actual theft of an entity's **assets**
- Most common
- 89% of cases
- \$114,000 median loss

Corruption

- Dishonest or fraudulent conduct by those in power, typically involving bribery
- Next most common
- 38% of cases
- \$250,000 median loss

Financial Statement Fraud

- The deliberate misrepresentation of the **financial** condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the **financial statements**
- Least common
- Most costly
- \$800,000 median loss

Association of Certified Fraud Examiners (ACFE) 2018 Report to the Nations

Common Types of Fraud in Higher Education

- Fake vendor payments
- Fraudulent employee expense reports
- P-card abuse
- Financial aid kickbacks
- Theft of donations

<<Fraud can cost our students, donors, and key stakeholders>>

<https://www.claconnect.com/resources/articles/2018/tips-for-preventing-and-detecting-internal-fraud-at-colleges-and-universiti>

How Fraud Can Affect HCC...



Financial loss is the generally the main effect of FRAUD in Higher Education, but...



Reputational Damage is another significant risk of Fraud in Higher Education. The Institution receiving...

- negative publicity (i.e. news broadcasts, newspapers, rating agencies, etc.)
- Potential drop in future enrollment
- Potential drop in future advancement/development contributions

Why good people do bad things?

"Integrity is doing the right thing, even when no one is watching." -C. S. Lewis



In large organizations, employees can begin to feel more like numbers or cogs in a machine than individuals.



The use of nicknames and euphemisms for questionable practices can free them of their moral connotations, making them seem more acceptable. ("greasing the wheel", "financial engineering")



Sometimes people, having been moral and forthright in their dealings for a long time, feel as if they have banked up some kind of "ethical credit".

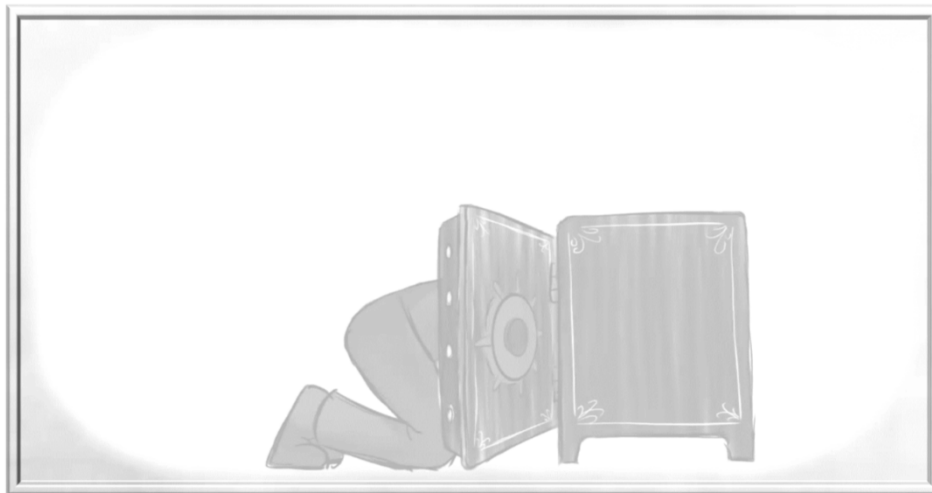


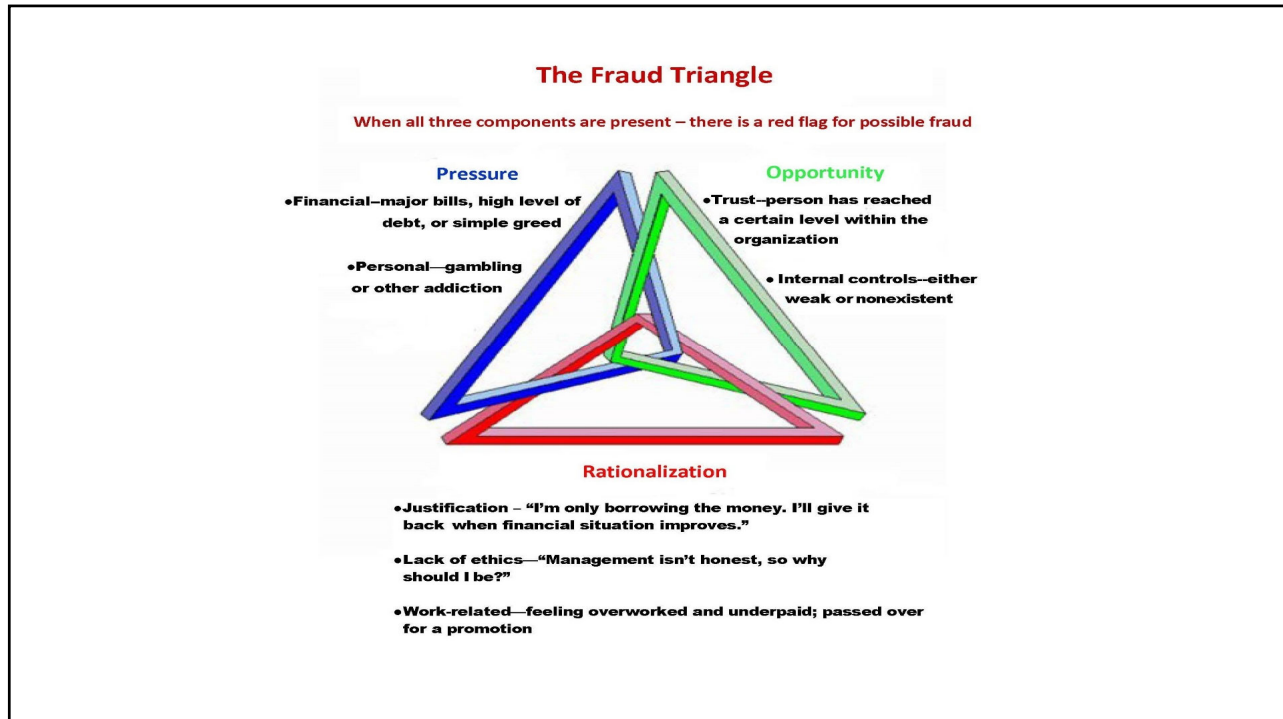
Small thefts are ignored. Then slightly larger ones like over claiming expenses or accepting unauthorized business gifts. (stationery, sugar packets, paper cups, toilet paper)



<https://www.businessinsider.com/reasons-why-good-people-do-bad-things-2016-12#the-compensation-effect-5>

Why Does Fraud Happen?





RED FLAGS OF FRAUD

Understanding and recognizing the behavioral red flags displayed by fraud perpetrators can help organizations detect fraud and mitigate losses.

These **6 BEHAVIORAL RED FLAGS** have been the most common in studies dating back to 2008.*

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

*Association of Certified Fraud Examiners (ACFE) 2018 Report to the Nations

Primary internal control weaknesses that contribute to occupational fraud.



*Association of Certified Fraud Examiners (ACFE) 2018 Report to the Nations

Easy Ways to Reduce Fraud Risk

1. Management Controls
2. Fraud Risk Assessments



Go to www.menti.com and use the code 79 95 94

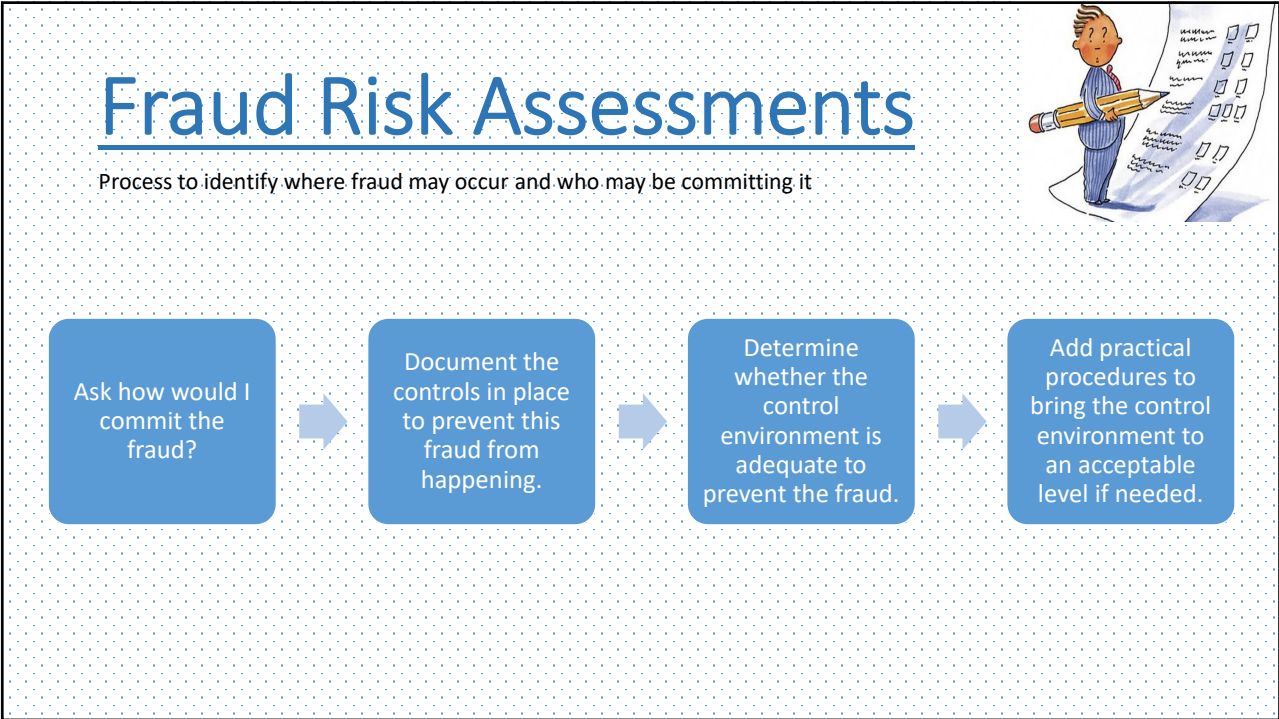
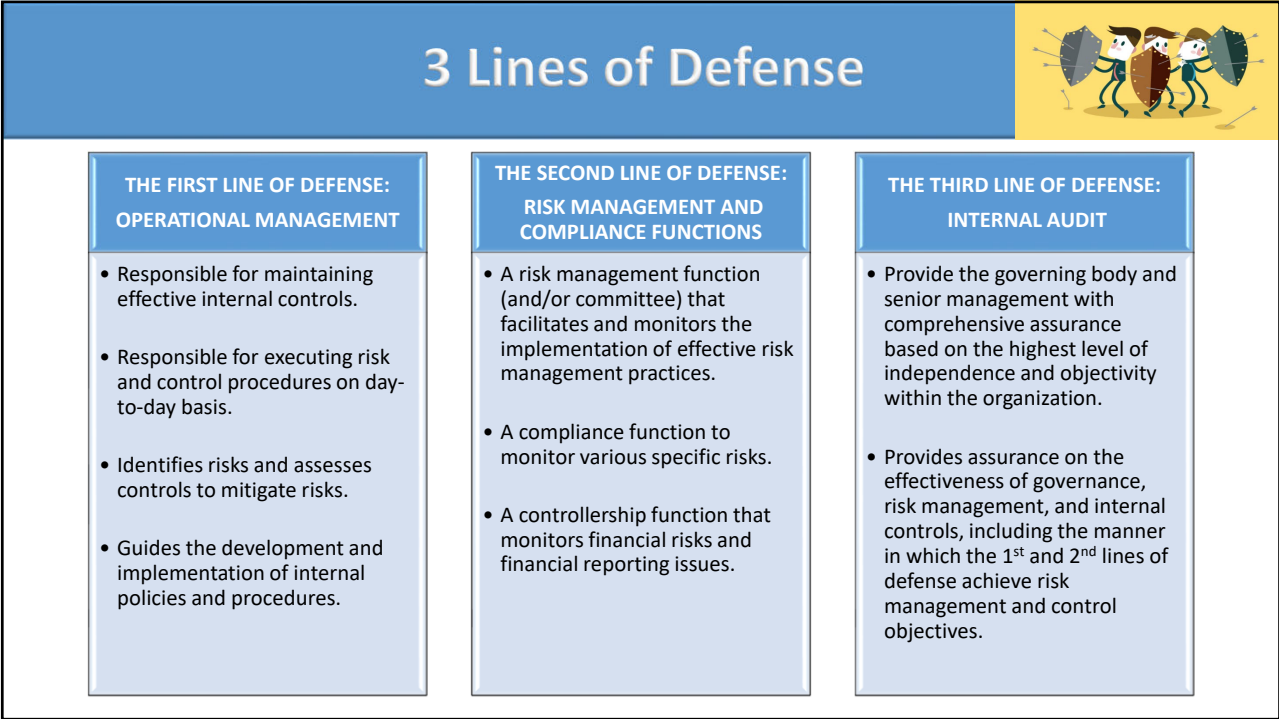
Mentimeter

Which anti-fraud controls are in place and operating effectively at HCC?

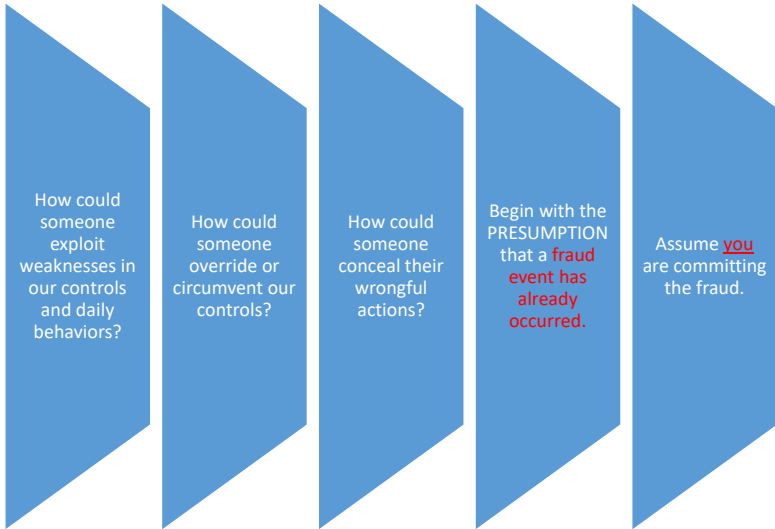
Control	Count
None of the Above	1
Proper Segregation of duties	1
Use of Authorizations	1

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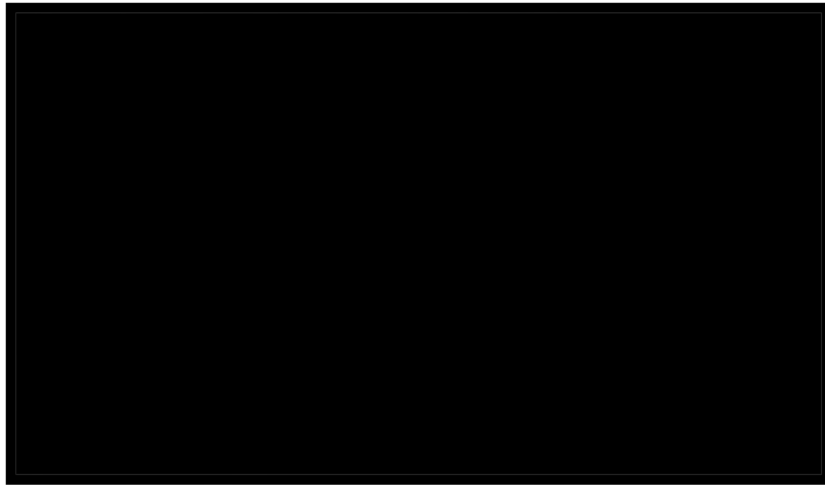
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Active Fraud Risk Brainstorming

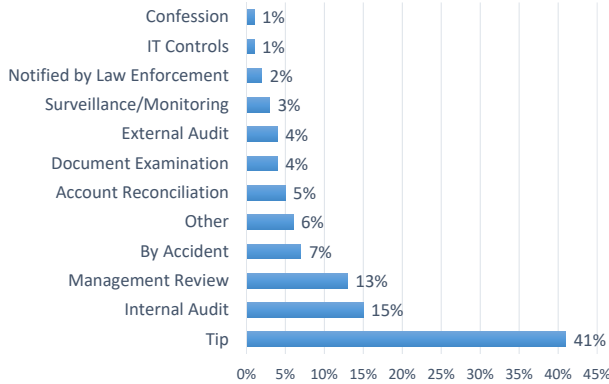


Fraud News Headlines

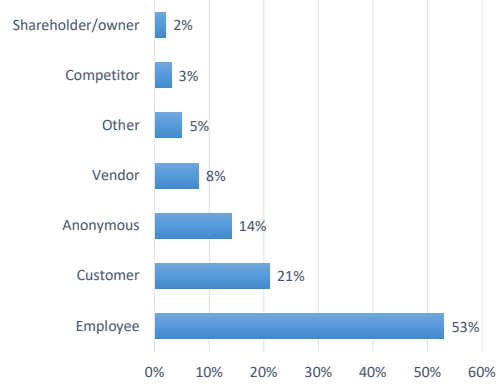


Tips are the #1 source...

How is Occupational Fraud Initially Detected?



Who Reports Occupational Fraud?



*Association of Certified Fraud Examiners (ACFE) 2018 Report to the Nations



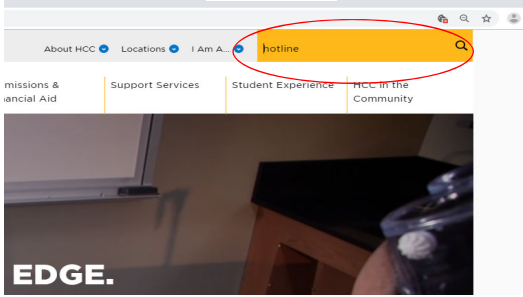
**See something.
Say something.**

HCC is pleased to provide a third-party Ethics and Compliance Hotline for employees, students, and members of the public to encourage the reporting of any fraud, waste, and abuse and violations of College District policy and law.

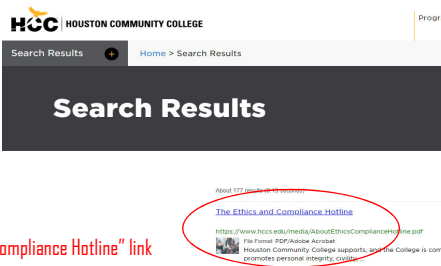
<http://www.hccs.ethicspoint.com/>

1.855.811.6284

Access to Ethics and Compliance Hotline via HCC Homepage

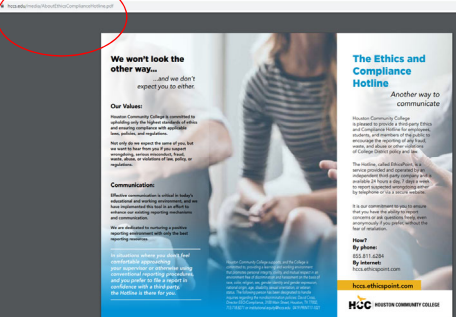


Search "hotline"



Search Results

The Ethics and Compliance Hotline



We won't look the other way... and we don't expect you to either.

The Ethics and Compliance Hotline

Another way to communicate


https://www.hccs.edu/

https://www.hccs.edu/media/AboutEthicsComplianceHotline.pdf

Select "The Ethics and Compliance Hotline" link

Detailed description: This block illustrates the process of finding the Ethics and Compliance Hotline from the HCC homepage. It shows three sequential screenshots: 1) The HCC homepage with a search bar containing the word "hotline". 2) The search results page showing a link to "The Ethics and Compliance Hotline". 3) A preview of the PDF document titled "The Ethics and Compliance Hotline" with a red circle highlighting the link. Arrows indicate the flow from the homepage to the search results and then to the document preview. A URL is provided for the document: https://www.hccs.edu/media/AboutEthicsComplianceHotline.pdf. A red circle highlights the search bar in the first screenshot and the link in the second screenshot. A red circle also highlights the link in the third screenshot. A red circle highlights the search bar in the first screenshot and the link in the second screenshot. A red circle also highlights the link in the third screenshot.


Prevention and Deterrence



Visible and vocal leadership

Active ongoing fraud risk brainstorming

Policies on Fraud Responsibilities



Detailed description: This diagram illustrates three key components of prevention and deterrence. It features three blue rounded rectangular boxes arranged horizontally. The first box on the left contains an icon of a person with arms raised and the text "Visible and vocal leadership". The middle box contains an icon of a cluster of colorful balloons with the word "IDEAS" written on them and the text "Active ongoing fraud risk brainstorming". The third box on the right contains a red prohibition sign over the word "FRAUD" and the text "Policies on Fraud Responsibilities". A large, light blue double-headed arrow is positioned below the three boxes, spanning their width. In the bottom right corner, there is a logo for "See something. Say something." featuring a stylized eye icon.

HCC Policies on Fraud Responsibilities

- Policies

BBFB (LEGAL)	CAK (LEGAL)
CDC (LOCAL)	CDE (LOCAL)
DGBA (LOCAL)	DH (LOCAL)
FEA (LOCAL)	FLB (LOCAL)
FLD (LOCAL)	

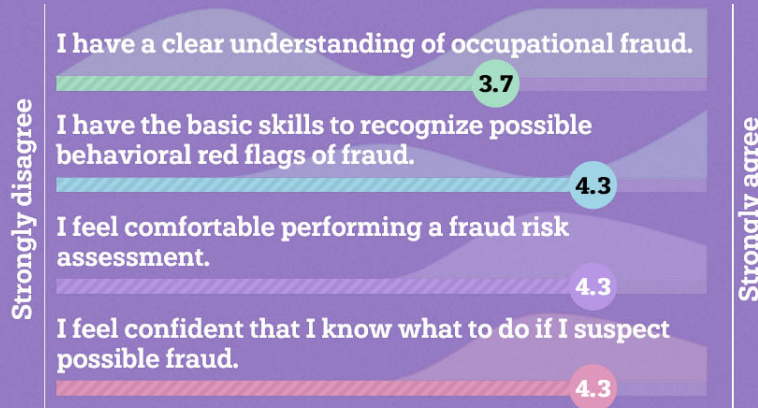


- Employee Standards of Conduct annual training

Go to www.menti.com and use the code 79 95 94

FRAUD AWARENESS KNOWLEDGE

Mentimeter



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3



- Terry Corrigan, Internal Audit Director
- 713-718-7278
- hcc.internalaudit@hccs.edu
- <https://www.hccs.edu/departments/internal-auditing/>

Questions/Comments

