Agenda

• Fraud in Higher Education
• The Fraud Diamond
• The Fraud Tree
• The Profile of a Fraudster
• Safe Disclosure for Fraud
• UVic Fraud Response Plan
Financial crime common in Canadian universities

MacEwan University defrauded of $11.8 M in online phishing scam

Former SFU accountant sentenced 4 years for $800K fraud

Taste for clothes, trips, horses fuelled $750,000 fraud by University of Waterloo boss

Accountant at UBC-based criminal justice think tank charged over alleged million-dollar embezzlement

Three arrested in alleged $1.6-million fraud at York University

University of Lethbridge manager charged in theft from parking meters

UBC medical researcher fired over alleged $425,000 Fraud

University of Ottawa cuts ties to student union over fraud allegations
Industry of Victim Organization

Banking and Financial Services
- Manufacturing
- Government and Public Administration
- Health Care
- Retail
- Education
- Insurance
- Energy
- Other
- Construction
- Transportation and Warehousing
- Food Service and Hospitality
- Technology
- Religious, Charitable, or Social Services
- Services (Professional)
- Telecommunications
- Arts, Entertainment, and Recreation
- Real Estate
- Agriculture, Forestry, Fishing, and Hunting
- Utilities
- Services (Other)
- Mining
- Wholesale Trade
- Communications and Publishing

PERCENTAGE OF CASES
The Fraud Diamond

- **INCENTIVE**
  - Financial pressure
- **OPPORTUNITY**
  - Opportunity to commit fraud
- **RATIONALIZATION**
  - "They owe it to me"
- **CAPACITY**
  - Intellectual Capacity
## Types of Occupational Fraud

<table>
<thead>
<tr>
<th>Asset Misappropriation</th>
<th>Corruption</th>
<th>Fraudulent Reporting</th>
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<tbody>
<tr>
<td>Schemes in which the employee steals or misuses an organization’s assets.</td>
<td>Schemes in which a fraudster wrongfully uses their influence in a business transaction to benefit their self or another person.</td>
<td>Schemes involving the intentional misreporting of an organization’s financial information, with the intent to mislead others.</td>
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<tr>
<td>► Skimming cash receipts</td>
<td>► Conflict of Interest</td>
<td>► Creating fictitious revenues</td>
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<td>► Falsifying voids and refunds</td>
<td>► Bribery</td>
<td>► Concealing liabilities or revenues</td>
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<td>► Tampering with company checks</td>
<td>► Illegal Gratuities</td>
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<td>► Overstating expenses</td>
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<td>► Billing Schemes</td>
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How is occupational Fraud Committed in Canada?

Link: 2018 Canadian Fraud Report to the Nations on Occupational Fraud and Abuse
Fraud Tree – Asset Misappropriation

- **Cash Misappropriation**
  - **Theft of Cash on Hand**
    - Sales
    - Unrecorded
    - Understated
    - Refunds and Other
    - Write-Off Schemes
    - Lapping Schemes
    - Unconcealed
  - **Theft of Cash Receipts**
    - Skimming
  - **Cash Larceny**
  - **Fraudulent Disbursements**
    - Billing Schemes
    - Payroll Schemes
    - Expense Reimbursement Schemes
    - Check Tampering
    - Register Disbursements
    - Misuse
    - Forged Maker
    - False Voids
    - False Refunds
    - Forged Endorsement
    - False Refunds
    - Unconcealed Larceny
  - **Inventory and All Other Assets**
    - **Misuse**
    - **Larceny**
      - Asset Requisitions and Transfers
      - False Sales and Shipping
      - Purchasing and Receiving
      - Unconcealed Larceny
Profile of Occupational Fraudsters in Canada

How does the perpetrator’s level of authority relate to occupational fraud?

- **Employee**: 47%, $156,000
- **Manager**: 27%, $205,000
- **Owner/executive**: 23%, $600,000
Profile of Occupational Fraudsters in Canada

Median age for all fraudsters in the region was 45.

Contrary to our global data, median losses in Canada did not vary substantially based on the perpetrator’s age:

- 22 years old: Median loss of $198,000
- 45 years old: Median loss of $200,000
- 65 years old: Median loss of $200,000

Youth or older than 45 correspond to $198,000 median loss, while 45 years old correspond to $200,000 median loss.
Profile of Occupational Fraudsters in Canada

69% of frauds were committed by men

$250,000 median loss

$166,000 median loss

Losses caused by men were about 1.5x as large as losses caused by women
Profile of Occupational Fraudsters in Canada

NONE
OF THE PERPETRATORS
IN CANADA HAD A PRIOR
FRAUD CONVICTION
In 87% of cases fraudsters displayed at least one behavioral red flag. The five most common red flags were:

- 33% Living beyond means
- 28% Financial difficulties
- 23% “Wheeler-dealer” attitude
- 21% Divorce/family problems
- 21% Unusually close association with vendor/customer
Basic Internal Controls to Prevent Fraud

- Clear lines of authority
- Separation of duties
- Physical safeguards over assets
- Documented support for transactions
- Proper approvals
- Adequate supervision

- Conflict of interest declarations
- Regular holiday requirements
- Proper training of staff
- Extensive employment checks
- Physical inventory counts
- Independent validations
Link to UVic’s Safe Disclosure Site

Safe disclosure

Do you have any questions or concerns? Do you want to suggest an audit? Let us know. We’re here to help.

You can call or visit us, use regular mail, or you can complete and submit the form below. We’ll reply to you within one business day.

If you would prefer to contact us anonymously, leave the name field blank and use anonymous@uvic.ca for the email address field.

https://www.uvic.ca/internalaudit/home/safe-disclosure/index.php
Fraud Response Action Plan – Purpose

The purpose of this Fraud Response Action Plan is to provide guidance on how UVic will respond to the suspicion or detection of fraudulent activities.

This document presents:
• An outline of the nature of fraud;
• the departments on campus that may be involved in fraud response; and
• provides detailed guidance for management on what to do if fraud is encountered.

Link: UVic Fraud Response Action Plan
Fraud Response Action Plan – Authority

• The development and maintenance of the Fraud Response Plan operates under the authority of the Vice-President Finance and Operations on behalf of the Board of Governors.

• Fraud response to an occurrence of fraud is the responsibility of departmental management of the area where the fraud is detected.

• Discretionary authority on the extent of legal actions ultimately residing with the Vice President of the department, in consultation with UVic’s General Counsel (if necessary).
Principles of Fraud Response

1. UVic takes allegations of fraud seriously.

2. UVic has an obligation to protect the reputation of individuals suspected/accused of fraud until allegations are proven.

3. UVic has a responsibility for professional conduct in dealing with allegations of fraud and any resulting investigation.
Fraud Response Teams and Responsibilities

1. Departmental Line Management
2. Portfolio Vice President
3. Internal Audit
4. General Counsel
5. Human Resources
6. Campus Security Services
7. Communications
8. Finance Department
9. University Systems
10. Risk Manager
11. Union
12. External Parties
   • Law enforcement, External Council, Insurance Provider, and External Auditors.
Fraud Response Action Plan Checklist

1. **Departmental line management** detects potentially fraudulent activities:

2. Immediately notify **Internal Audit** and arrange to meet to discuss.

3. Immediately notify chain of command up to and including **Portfolio VP**.

4. Identify if there is suspicion of fraud OR evidence/confirmation of fraud.

5. Where there is clear evidence of fraud, **prior** to disciplinary action being taken, in conjunction with **HR/AVP-Faculty Relations and Academic Administration**, consider suspending or reassigning the accused.
Fraud Response Action Plan Checklist

- **Internal Audit** will perform initial fact finding to:
  - Determine if evidence is sufficient to warrant a full investigation.
  - Internal Audit may:
    - Determine an investigation is not warranted and defer further action to management.
    - Establish a broader scope and recommend involvement of additional resources.
Fraud Response Action Plan Checklist

• Where an investigation is warranted *Internal Audit* will:
  • Confidentially gather evidence specific to allegations.
  • Work under direction from *General Counsel* where appropriate.
  • Schedule interviews with the suspect and other relevant parties.
Fraud Response Action Plan Checklist

Upon conclusion of an investigation and where there is clear evidence of fraud having occurred:

- **Internal Audit** will provide:
  - A detailed report to **Management** and **General Counsel**.
  - A summary report to the Audit Committee of the Board of Governors.
  - Recommendations for addressing control deficiencies to prevent future fraud.
Fraud Response Action Plan Checklist

• Upon conclusion of an investigation and where there is clear evidence of fraud having occurred:

  • Departmental line management will:

    • Report to Portfolio VP on the extent of harm and damage.

    • Recommend disciplinary action to chain of command up to and including the Portfolio VP.

    • Contact HR/AVP-Faculty Relations and Academic Administration for guidance and support in liaising with unions or other external agencies where there is an intent to proceed with any disciplinary action.

    • Contact General Counsel to ensure evidence is sufficient to protect UVic from risk of civil litigation that may be launched by the accused or where there is an intent to proceed with legal prosecution against the accused.
Fraud Response Action Plan Checklist

• Subsequent to the delivery of a fraud report from Internal Audit,
  • **Departmental line management**, will lead the implementation of control enhancements.

• Upon conclusion of the investigation and where financial loss has occurred,
  • **Risk Analyst** may seek reimbursement for losses suffered via an insurance claim.
Fraud Response Action Plan Checklist – Flowchart
Questions and Contact Information

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