2015 AgriLife Conference
Employee Development Symposium

Fraud Prevention & Detection in the A&M System

January 8, 2015

Presented by Robin Woods
System Internal Audit Department
The Texas A&M University System

Today’s Take-Aways

- Recognize the warning signs of fraud
- Know how to report fraud
- Know what to expect when you report suspected fraud
- Recognize that the auditor really IS your friend

Internal Audit’s Responsibilities

- Develop an annual audit plan based on a system-wide risk assessment process
- Conduct audits in support of the plan
- Report results to the Board of Regents, the Chancellor, and the Chief Executive Officers
- Coordinate audit efforts with external and state auditors
- Investigate suspected fraud, waste and abuse
The use of one’s occupation for personal enrichment and/or gain through the deliberate misuse or misapplication of the employing organization’s resources or assets.

Examples

- Theft
- Embezzlement
- Kickbacks/Bribes
- Travel reimbursement schemes
- Falsification of government documents
- Misappropriation/misuse of property
- Misappropriation/misuse of confidential information
- Unauthorized use of IT system/network
- Conflict of interest

Why People Commit Fraud

[Diagram of the Fraud Triangle]

- Motive
- Opportunity
- Rationalization
- How I Did It
- Why I Did It
- The Texa A&M University System
**Motive (Perceived Financial Need)**

- **Need** – Child’s college, new car, new house
- **Problem** – Unexpected medical bills, aging parents or grown children moving in
- **Incentive** – Increase “bottom line” or receive a bigger bonus/pay increase
- **Pressure** – Everyone does it

**Opportunity**

Every fraudster is typically given the opportunity to take advantage of the organization

- Lack of internal controls
- Poor internal control design
- Trust
- Loyalty

**Rationalization**

Most fraudsters consider themselves to be good, honest people, and can usually rationalize their behavior.

- Entitlement (underpaid/overworked)
- Just Borrowing (I’ll pay it back later)
- Just this once
- Employer has plenty of money
Methods of Detecting Fraud

- Tips  42%
- Internal Controls  33%
- Internal Audit  14%
- Accident  7%
- Other*  6%

75% is YOU

* Law enforcement, external audits, spontaneous confessions
  *Fraud prevention does not have to be boring to be useful.*

Red Flags

- No segregation of duties
- Inadequate or missing records
- Lack of or inadequate account reconciliations
- Management attitude (rules were meant to be broken – the ends justify the means)
- Financial pressures
- Complex accounting system
- Small number of employees with all of the knowledge
- No vacations or time off

A&M System Policy 10.02, Control of Fraud, Waste & Abuse

Employees are required to report factual information suggestive of fraudulent, wasteful or abusive activities that may involve the A&M System or any of its members.

Internal Audit is responsible for investigating allegations of fraud, waste and abuse.
How to Report Issues of Concern

- Immediate Supervisor or any supervisor in your chain of command
- A&M System Risk, Fraud & Misconduct Hotline
- A&M System Internal Audit Department
- State Auditor at www.sao.state.tx.us/siu

*All reports can be made anonymously.*

What Happens Next?

- Notify CEO
- Conduct interviews
- Review documents
- Draw conclusions based on evidence
- Issue report to CEO
- Notify law enforcement and other agencies (if warranted)

Risk, Fraud & Misconduct Hotline

- Anonymous reporting
- Report triage and routing
- Investigation
- Closure
Prevention versus Detection

Detection
- Reactive
- Responsibility delegated to Internal Audit
- Costly and Time Consuming

Prevention
- Proactive
- Every employee’s responsibility
- Cost effective

Contact Information

Risk, Fraud & Misconduct Hotline:
- Telephone 888.501.3850
- Internet Link on every member’s homepage

Investigative Audit Services Team:
- Robin Woods robin-woods@tamus.edu
- Joseph Mitchell joseph.mitchell@tamus.edu
- Jose Luna jluna@tamus.edu
- Kim Andrews jandrews@tamus.edu