

# **Fraud Prevention**

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## **Texas A&M AgriLife Employee Development Symposium March 28, 2023**



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# Today's Topics

- **Fraud In a Nutshell**
  - **A&M System Policy**
  - **High Risk Areas**
  - **How and Why it Happens**
  - **Tips for Preventing Fraud**
  
- **Things to Remember**
  
- **Questions**



# A&M System Fraud Policy

## 10.02, *Fraud Prevention*

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

Fraud is defined as a willful or deliberate act/failure to act with the intention of obtaining an unauthorized benefit, such as money property, by deception or other unethical means.

Internal Audit is responsible for reviewing allegations of suspected fraud.



# High Risk Areas

Cash

Conflicts of Interest

Credit cards

- Travel
- Procurement
- Store

Purchasing

- Amazon
- Ebay
- PayPal/Venmo/Others

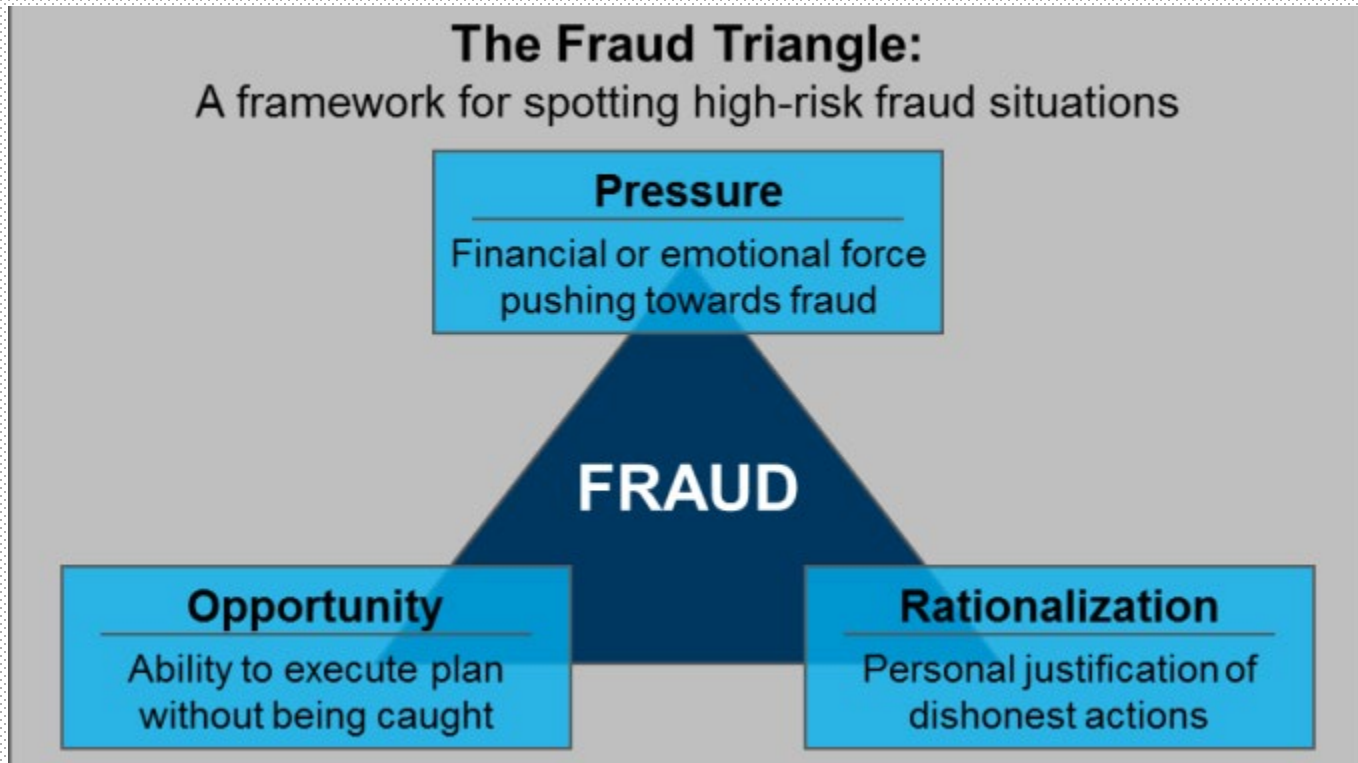


# Sobering Statistics

- Fraud losses are approximately 5% of an organizations revenues (\$380 million based on A&M System's FY 2023 budget)
- Undetected for an average of 12 months
- Average loss is \$8,300 per month



# The Fraud Triangle



# Pressure (Real or Perceived)

- Need – Child's college, new car, new house
- Problem – Unexpected medical bills, aging parents or grown children moving in



# 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





# Opportunity

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

- Lack of internal controls
- Overriding/ignoring internal controls
- Misplaced Trust
- Tone at the top



# Internal Controls

Actions taken to reduce risks and increase the odds of achieving our objectives, including:

- Policies, procedures and processes
- Segregation of duties
- Reconciliations
- Documentation
- Training



# Internal Controls & Fraud

## ➤ Policies & Procedures

- Written
- Communicated
- Enforced

## ➤ Segregation of Duties

- Authorization
- Custody
- Recordkeeping
- Reconciliations



# Internal Controls & Fraud

## ➤ Reconciliations

- Reconciliation vs listing
- Independent review
- Timely follow up on reconciling items

## ➤ Documentation

- Original
- Sufficient
- Unaltered



# Internal Controls & Fraud

## ➤ Training and Education

- Ethics
- Fraud
- Information Security Awareness
- Position-specific



# But Don't Forget...

## ➤ IT Scams

- Email request from CEO/CFO/Manager
- Email offer/request asking you “to click here...”

## ➤ Vendor Imposter Fraud

- Request or demand immediate payment of invoice
- Request changes in banking information



# Five Things to Remember

- Don't allow one person to have complete control of a process
- Don't allow the employee who completed the reconciliation to be the reviewer
- Sign it only if you understand it
- Ask questions
- Lead by example



# How to Report Suspected Fraud

- Immediate Supervisor or anyone in your chain of command
- A&M System Risk, Fraud & Misconduct Hotline
- Internal Audit
- Member or A&M System Compliance Office
- State Auditor's Office at [www.sao.state.tx.us/siu](http://www.sao.state.tx.us/siu)

Reports can be made anonymously





# Contact Information

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## Risk, Fraud & Misconduct Hotline

- Telephone                      888.501.3850
- Internet                         Link on every member's homepage



# Questions

