



Financial Policies Training: ***Financial Fraud Prevention (1.3.1)***



Effective: May 1, 2009



These PowerPoint slides are intended for training purposes. In the event of any discrepancy or interpretation difference between the policy and the slides, the policy dictates.

Financial Fraud Prevention (1.3.1)

- ◆ **Topics:**
 - ▶ *Why have a financial fraud policy?*
 - ▶ *What is financial fraud?*
 - ▶ *What does the policy cover?*
 - ▶ *What happens when fraud is suspected?*
 - ▶ *Who has what responsibilities?*
 - ▶ *What should you do if you suspect fraud?*
 - ▶ *What else is being done to protect university resources?*



Financial Fraud Prevention (1.3.1)

- Why have a financial fraud policy?
 - ▶ *Required by accounting guidelines*

 - ▶ *Fraudulent behavior*
 - Financially costly

 - Erodes public trust and confidence in institution's integrity



Financial Fraud Prevention (1.3.1)

- **What is financial fraud?**
 - ▶ *“an intentional act that results in a material misstatement in financial statements”*
 - ▶ *Two types*
 - Misstatement arising from **misappropriation of assets** (e.g., theft of assets, fraudulent expenditures)
 - Misstatement arising from **fraudulent financial reporting** (e.g., falsification of accounting records)
 - ▶ *“Fraud triangle”*
 - Reason (an incentive or pressure)
 - Opportunity (e.g., controls are absent, ineffective or overridden by management)
 - Attitude of rationalization

Financial Fraud Prevention (1.3.1)

- **What is financial fraud?**
 - ▶ *Examples include but are not limited to:*
 - Embezzlement or other financial irregularities;
 - Misappropriation, misapplication, destruction, removal, or concealment of property;
 - Forgery, falsification, or alteration of documents (e.g., checks, bank drafts, deposit tickets, promissory notes, time sheets, time and effort reporting, travel expense reports, contractor agreements, purchase orders, electronic files, etc.);
 - Improprieties/misrepresentation in the handling or reporting of money or financial transactions, including procurement card;
 - Theft, destruction, or misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures or equipment, trade secrets and intellectual property);
 - Authorizing or receiving payment for goods not received or services not performed;
 - Authorizing or receiving payment for hours/time not worked;
 - Inappropriate use of university facilities, such as vehicles, telephones, mail systems, or computer-related equipment ;
 - Intentional violation of university purchasing requirements;
 - Bribery or kickbacks;
 - Rebates that benefit the employee and not the institution;
 - Assigning an employee to perform non-employment-related tasks by person in a supervisory or management position; and
 - Actions related to concealing or perpetuating abovementioned activities.

Financial Fraud Prevention (1.3.1)

- What does the policy address?
 - ▶ *Prohibits*
 - Any kind of fraud, waste, abuse of resources
 - By any member of UC community

Financial Fraud Prevention (1.3.1)

- What happens when fraud is suspected?
 - ▶ *The university*
 - Conducts objective investigation
 - Takes appropriate disciplinary and/or legal action



Financial Fraud Prevention (1.3.1)

Who has what responsibilities?

- ▶ *Faculty, staff, affiliates, volunteers*
 - Safeguard university resources
 - Use university resources for authorized purposes only
 - ▶ *Federal and state laws*
 - ▶ *University rules and policies*
 - For example, university policy prohibits **any** employee from using/receiving university resources for non-university purposes or personal gain

- ▶ *Org unit management and central administration*
 - Know what improprieties may occur
 - Be alert for any indications

- ▶ *Employees - report suspected fraudulent behavior*

Financial Fraud Prevention (1.3.1)

- What should you do if you suspect fraud?
 - ▶ *Report it to*
 - Your supervisor **OR**
 - Anonymous Reporting Hotline (Web or 1-800 number)
 - ▶ *If supervisor may be involved, report it to*
 - Next higher level of management **OR**
 - Anonymous Reporting Hotline (Web or 1-800 number) **OR**
 - Other university officials
 - ▶ *Internal Audit*
 - ▶ *University Police*

(Employees reporting suspected fraud will be protected from negative repercussions.)

Financial Fraud Prevention (1.3.1)

- What else is being done to protect university resources?
 - ▶ *University-wide*
 - Codes of conduct
 - Conflict of interest



Financial Fraud Prevention (1.3.1): Resources

- **Financial Policies website:** www.uc.edu/af/policies
- **The Policy (1.3.1):**

http://www.uc.edu/content/dam/uc/af/financialpolicies/Docs/finfraudprevention_pol.pdf

- **Policy questions email:** policyquestions@uc.edu

- **Anonymous Reporting Hotline:**

<https://secure.ethicspoint.com/domain/media/en/gui/22314/index.html>

1-800-889-1547 (staffed 24/7 with live operators)