



**WEBER STATE**  
UNIVERSITY

# 10 Truths about Fraud



# News Headlines

**Over 4 years, UTA employee in charge of deposits stole \$75k of public funds, police say**

by Adam Forgie | Wednesday, September 11th 2019

**Employee accused of stealing \$23K from Salt Lake City schools foundation — and spending it on perfume and prepaid credit cards**



By Courtney Tanner • Published: September 17, 2019  
Updated: September 19, 2019

**92-year-old former Utah dentist sentenced to jail for fraud scheme that bilked investors out of over \$62K**

**Woods Cross flight school administrator charged with stealing \$220K from students**

by Mark Klekas | Saturday, January 4th 2020

**Office manager charges more than \$100K to employer's credit cards for personal debts**

by Jennifer Weaver | Thursday, January 23rd 2020

**Utah FedEx Manager Charged in \$1M Suspected Fraud Scheme**

Federal authorities suspect FedEx ground manager accepted bribes from multiple Utah truck company owners who paid more than \$1 million to secure hundreds of millions in revenue.

By Associated Press, Wire Service Content • Oct. 29, 2019, at 1:27 p.m.

**Former Utah University Employee Sentenced for Stealing \$380K**

A judge has sentenced a former Utah Valley University employee to four months in county jail after she pleaded guilty to stealing more than \$380,000 from the university to pay for travel expenses and a private theater business.

By Associated Press, Wire Service Content • Jan. 22, 2020, at 8:04 p.m.

**Utah man sentenced to prison for fraud scheme that took millions from investors**  
*Andrew Dean Kelley ordered to pay nearly \$8 million in restitution.*



By Stephen Hunt • Published: October 5, 2017  
Updated: October 05, 2017



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# 1. Fraud is Prevalent

- KPMG survey reported 75% of U.S. organizations experienced fraud in the prior 12 months.
- ACFE has estimated fraud losses in the U.S. are over \$990 billion a year & the typical organization loses 5% of its annual revenues to employee fraud.
- Fraud committed by employees is the most common type of fraud.
- Fraud schemes frequently continue for years before they are detected.



# Local Large Frauds Discovered

- 2.5 Million from the State of Utah in 2008 – Individuals Created Fictitious Invoices (Identity Theft)
- 1.1 Million from Weber School District Foundation in 2007 – Secretary Wrote out Checks to Herself and Paid Her Personal Bills
- 300,000 from Snow College in 2007 – Head Cashier Skimmed Money from Payments
- 500,000 from Snow College in 2003 – Assist. VP Wrote Out Checks for Cash & then Voided the Checks
- 1 Million Estimated Fraud from a Harrisville Brick Company in 2008 – Chief Financial Officer Wrote Extra Pay Checks to Himself Each Month & Used Other Methods



## 2. Average People Commit Fraud

A fraud perpetrator is likely to:

- Be married
- Be educated beyond High School
- Have no prior arrest record
- Be between 30-60 years old
- Belong to a church
- Be a trusted employee



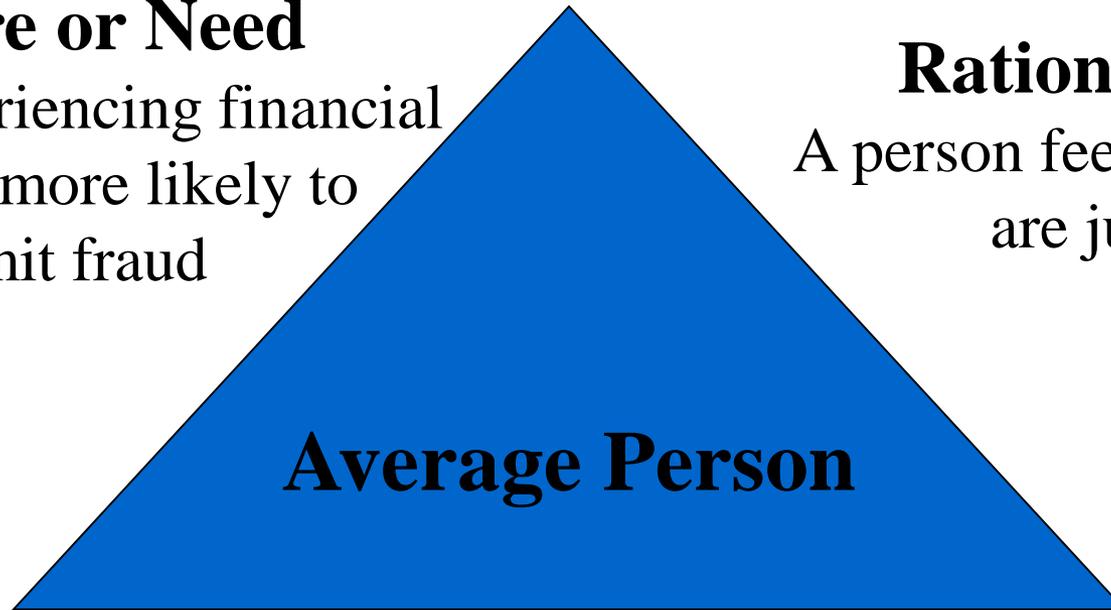
# 3. Three Key Elements Combine to Lead an Average Person to Commit Fraud

## Pressure or Need

A person experiencing financial pressure is more likely to commit fraud

## Rationalization

A person feels their actions are justified



**Average Person**

## Perceived Opportunity

A person who sees an opportunity to commit fraud without being caught



# 4. Unfortunately, Employees Have Taken Funds from Weber

- Setting up Fictitious Employee
- Selling University Items on eBay
- Overstating Travel Expenses & Other Reimbursements
- Using P-Card to Make Personal Purchases
- Unlocked Safes
- Deposits/Cash Sales
- Coin Operated Machines
- Petty Cash/Change Funds



# 5. There are Warning Signs of Fraud

- Documents with altered information
- Invoices with missing vendor information
- Invoices with even dollar amounts
- Missing receipts or other supporting documentation
- Excessive number of items purchased
- Delays in making deposits



# 5. There are Warning Signs of Fraud (cont.)

According to fraud studies employees who commit fraud are likely to:

- Be experiencing personal financial pressure
- Abuse drugs, alcohol, or gamble excessively
- Make extravagant purchases
- Live an extravagant lifestyle



# 6. The Best Deterrent of Fraud is to Increase the Perception of Detection

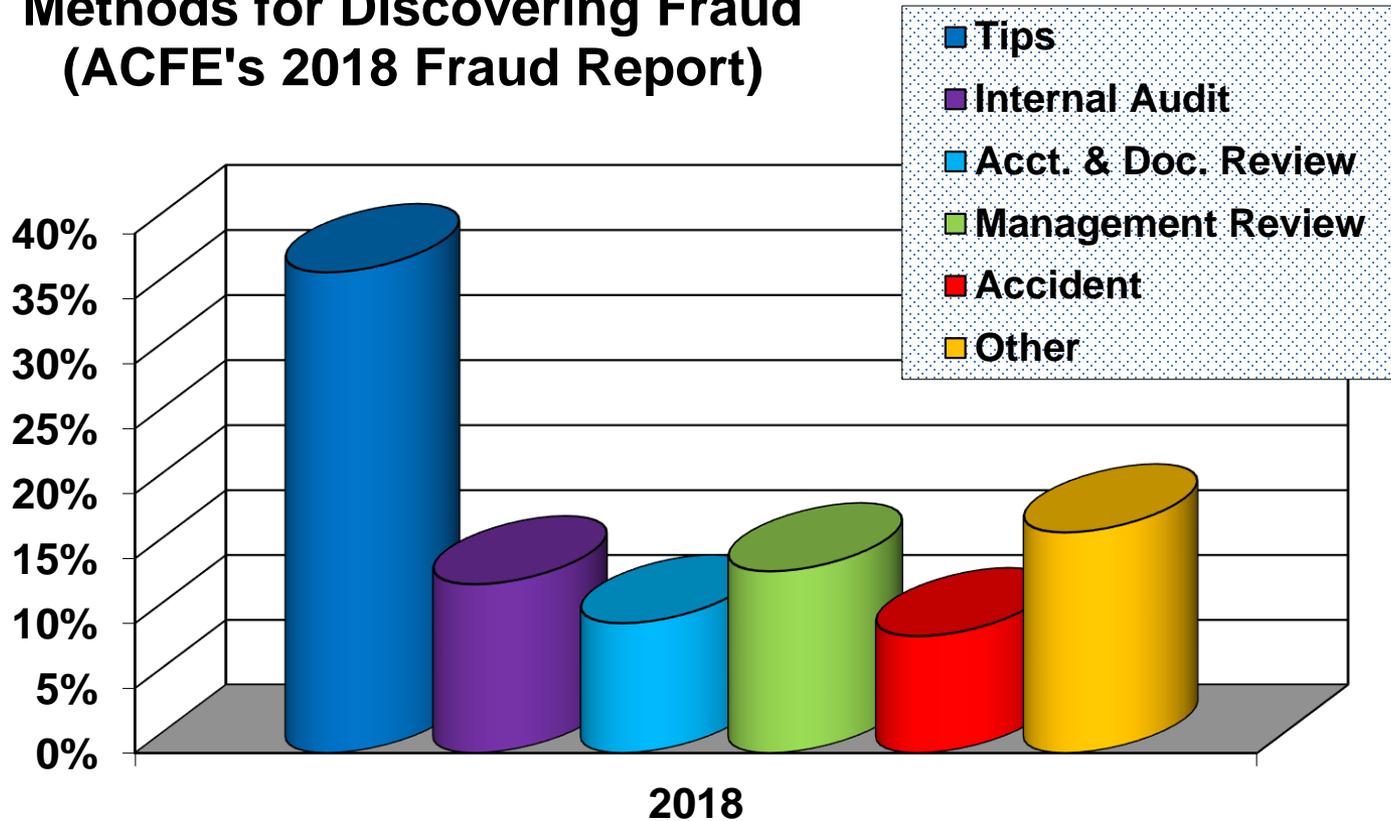
This can be accomplished by having:

- A strong system of internal controls
- Segregation of duties
- An obvious presence of internal auditors
- An organization wide fraud awareness program
- Use of hotlines



# 7. Tips are the Most Common Method of Finding Fraud

Methods for Discovering Fraud  
(ACFE's 2018 Fraud Report)



# 8. Hotlines are Useful

Weber State is outsourcing its hotline to Red Flag Reporting. Through this vendor complaints can be made anonymously via the internet or phone.

- <https://login.redflagreporting.com/Weber>
- 1-888-524-7144



# 9. Management's Reaction to a Fraud is Critical

- Quick action is important once a crime is identified
- Prosecution is important to deter future fraud
- If immediate and appropriate action isn't taken, the wrong message is sent
- Management should adjust processes and increase training to deter fraud



# 10. Prevention is Superior to Detection

- Fraud losses directly impact departmental budgets
- Fraud losses are generally not recovered
- Fraud indirectly absorbs time and resources
- Positive work environments increase employee morale and reduce motives to commit fraud

