10 Truths about Fraud
News Headlines

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

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

Office manager charged more than $100k to employer’s credit cards for personal debts

Utah FedEx Manager Charged in $1M Suspected Fraud Scheme

Former Utah University Employee Sentenced for Stealing $380K

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

Utah man sentenced to prison for fraud scheme that took millions from investors

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

Sources: ABC4, KUTV, Salt Lake Tribune, USNews
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

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

Rationalization
A person feels their actions are justified
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](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