

Fraud in the Workplace



SUNY New Paltz
Office of Internal Control

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Introduction

- Fraud is a University-wide issue
- Not just a departmental issue
- Zero Tolerance Sets the Tone
- Well coordinated investigation required

Topics of Discussion

- What is Fraud ?
- Common Myths & General Comments
- Who Commits Fraud
- How Management Encourages Fraud
- Case Histories
- University Policy
- The Investigation
- Prevention

What is Fraud?

- Intentional wrongful obtaining of a benefit
 - Theft, embezzlement
 - False statements (documents, grants, applications)
 - Corruption, kickbacks, conspiracies, collusion, bribes
 - Misappropriation of assets (travel expenses, payroll, equipment, supplies, inventories)

Common Myths About Fraud

- It can't happen on *MY* watch
- No one would do that here...
- We have an excellent accounting system
- My accounting clerk is my best employee
- We don't handle cash - What's to steal
- Problem Employees are likely suspects
- I wouldn't know where to start looking

Who Commits Fraud ?

Typical profile

- Almost anyone, rationalize they are just in borrowing, believe they deserve what they take, plan to repay - never do. Will continue to commit fraud until caught.
 - Has an addictive need - alcohol, drugs, gambling, sex
 - Is intelligent
 - Has a position of trust and responsibility
 - Understands and skillfully uses technology
 - Is well respected in the community
 - Is married, 2 children, owns home

How Management Encourages Fraud



- Management Attitude - Do Nothing
 - Not my problem
 - It's too embarrassing for the department, institution, etc...
 - Who wants the bad press of an investigation
- Little or poor Applicant screening - unqualified appointments - dishonest employees
- Inadequate training - classroom or OJT
- Not listening to employees - treatment of whistleblowers
- Weak Enforcement Policy
- We'll get them to resign - the problem will go away
 - Lets Make a Deal
 - Favoritism/Special Treatment
- Break accounting and policy rules - "Too Much Bureaucracy"


How Management Encourages Fraud

- Responsibility, accountability, and authority not established or documented
- Goals and objectives neither established nor monitored for success
- No written policies or procedures
 - low priority for the establishment of internal controls
 - no separation of duties
 - inadequate cash controls - documents
 - inadequate physical security for assets and records
 - no independent inventory of assets - recording and review of overages and shortages
- Inconsistent application of policies or procedures - may result in unfair treatment of employees - favoritism - low morale

Case Study 1



- Cash thefts
- One person responsible for collection, recording, deposit, reconciliation
- Employee was trusted
- Resume had omissions
- Employee was pleasant, quiet and nice

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- Travel theft
 - Double Dipping/Triple Dipping
 - Embellishment of expense
 - Excessive mileage
 - Tips included
 - Free lunch

Suspected Fraud - What should I Do?



- Report your suspicions to
 - Your supervisor or higher
 - Internal Control Officer
 - Division Vice President
 - University Police “Silent Witness” program
- Written report preferred but not necessary
- Confidentiality is maintained

Suspected Fraud - What should I Do?



- Do not question the person
- Do not investigate the matter on your own
- Follow Fraud Policy

What Happens?



Initial Investigation

- information gathered – IC, HR and Legal
- consultation with Senior VP
- formal Inquiry - Yes/No

Formal Inquiry



Fraud Team Established

- Vice Presidents
- SUNY Legal Counsel
- Internal Control
- University Police
- Human Resources

Formal Inquiry

VP & IC - coordinator

- Notifies the Senior VP and administrators.
- Coordinates legal arrangements between the State, SUNY, the employee & attorney.
- Ensures appropriate reports are prepared and distributed (NP & SUNY Administrators, AG, DA, and others)

Formal Inquiry



SUNY Legal Counsel

- advise on legal issues

Formal Inquiry



Internal Control

- compile evidence
- issue report on internal controls

Formal Inquiry



University Police

- District Attorney/Attorney General Liaison
- Gathers pertinent information through Statements, Subpoenas, Search Warrants
- Background investigation
- Conducts interviews
- Provides info on previous fraud schemes/history

Formal Inquiry



Human Resources

provides information on labor agreements and other matters related to the job environment

Formal Inquiry



- Records must be safeguarded and secured
- May be confiscated by internal audit
- May be locked in a secured room with access limited to the fraud team
- May be seized by subpoena/warrant

Formal Inquiry

Employee (Suspect) notification

- Determined by the fraud team
- Employee may be suspended with or without pay
- Employee may be temporarily reassigned

Formal Inquiry



Senior VP

- notifies the President
- notifies the employee of the allegation
- notifies the employee's supervisor and the employee of the final determination

Formal Inquiry



Final Course of Action

determined by the fraud investigation team
in consultation with the Senior VP-within
legal framework

Prosecution



- Arrest
- Indictment ?
- Plea Negotiation
- Pre-Indictment Plea ?
- Trial ?
- Restitution
- Sentencing

Prevention



- Watch for warning signs
- Listen to employees
- Follow recommended fiscal guidelines
- Follow established hiring practices
- Stewardship

Who to Contact

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“Silent Witness” program on the website

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