

# *Fraud in the Workplace*



SUNY New Paltz  
Office of Internal Controls

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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



- 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 Controls Hotline
  - Division Vice President
  - University Police
- 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*

**Hotline: 845-257-2100**

**Assistant Vice President and IC Officer – Michele Halstead**

**Phone 845-257-3299 / 3295**

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