COMBATTING FRAUD, WASTE, & ABUSE IN HIGHER EDUCATION

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Training Overview

1. Higher Education: How Does it Rank Among Occupational Fraud Cases?

2. Highest Areas of Fraud in Higher Education

3. Other Areas of Abuse

4. Cases Examples

5. Fraud Prevention: Controls and Best Practices

Contact

References

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1. HIGHER EDUCATION: HOW DOES IT RANK AMONG OCCUPATIONAL FRAUD CASES?

Among the occupational industries at risk of fraud and abuse activity, education was ranked sixth among 23 industries surveyed for reported fraud cases according to a 2016 Report by the Association of Certified Fraud Examiners (ACFE).^   Of the detection methods among the industries, fraud was most detected through anonymous employee tips, management review, and internal auditing (*ibid*, pg. 23).

In addition, and most notable in ACFE's survey were the *types* of fraud schemes committed by large employers, including state government agencies (which includes higher education institutions). The top five fraud types included:

1. Corruption
2. Billing
3. Check Tampering
4. Skimming
5. Non-Cash

The ACFE's survey and Report illustrates how incidences of fraud and abuse effect almost every industry, including higher education. The ACFE Report additionally demonstrates the important role internal controls, management review, and anonymous reporting mechanisms have on fraud detection and fraud risk mitigation.

^Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse: 2016 Global Fraud Study*, pg. 34 (2016).

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2. HIGHEST AREAS OF FRAUD IN HIGHER EDUCATION

In the 2016 ACFE survey, the highest areas of fraud in Education included the following:

- ➢ Billing fraud – 34.1%

- ➢ Corruption – 31.8%

- ➢ Skimming – 25%

- ➢ Cash-on-Hand fraud – 17.4%

- ➢ Non-cash – 17.4%

(*Ibid*, Slide 3, pg. 36)

In addition to the above areas, fraud and abuse cases also were reported within both the academic affairs and athletics departments among educational institutions.

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3. OTHER AREAS OF ABUSE

Additional areas of fraud, waste, and abuse in Higher Education include the following:

- ➢ Expense Reimbursements
- ➢ Payroll fraud
- ➢ Financial Statement Fraud
- ➢ Check Tampering
- ➢ Cash Larceny

The ACFE Report also reported 132 fraud cases in the education sector. Of the 132 cases, 42 involved corruption. Among the number of corruption cases reported, fraud schemes in education ranked fifth.

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4. CASE EXAMPLES

Higher education is not immune from incidences of fraud, waste, and abuse, as has been proven in recent years regarding some high profile cases. The following are recent case examples:

1. **Academic Fraud in Athletics.** The NCAA placed Georgia Southern University on two years' probation after findings that two former staff members committed academic fraud for three football players (Jake New, *An 'Epidemic' of Academic Fraud*, Inside Higher Ed (July 8, 2016)).

2. **Academic Fraud in Athletics.** A department staffer at the University of North Carolina at Chapel Hill created no-show classes to help keep underprepared athletics players eligible for two decades, in which administrators, professors, and coaches participated, according to a U.S. Justice Department investigation (Jack Stripling, *Widespread Nature of Chapel Hill's Academic Fraud Is Laid Bare*, The Chronicle of Higher Education (Oct. 23, 2014)).

3. **Conflicts of Interest Breach.** Five Stanford University Medical School professors were disciplined in 2011 for breaching the University's conflict of interest policy because the professors were being paid to give promotional speeches on behalf drug makers (Yasmin Vazquez, *The Fraud Curve: White-Collar Crime in Higher Education*, The Fraud Examiner, at http://www.acfe.com/fraud-examiner.aspx?id=4294972114).

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5. FRAUD PREVENTION: CONTROLS AND BEST PRACTICES

Fraud, waste, and abuse are serious offenses that can diminish the credibility and reputation of higher education institutions. In addition, incidences of highly publicized fraud at academic institutions can effect enrollment and staff morale.

The following are some controls and best practices for preventing fraud, waste, and abuse:

1. **Don't ignore red flags.** Before an incident becomes a risk, mitigate the risk by responding appropriately to red flags when they occur.

2. **If you see something, say something.** Find and utilize your institution's fraud hotline or report suspicious activity to an immediate manager, auditor, or administrator.

3. **Set the tone at the top.** Setting an institutional tone regarding the importance of integrity and honesty establishes baseline standards for the campus community.

4. **Identify and Assess Institutional Vulnerabilities.** Risk assessment and internal auditing are valuable methods of combatting fraud, waste, and abuse, as is an effective corporate compliance and monitoring program.

5. **Establish a Corrective Action Plan.** When a problem is discovered, create a Corrective Action Plan that is realistic and attainable, and that can be implemented in a sustainable way.

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QUESTIONS?

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