Training Overview

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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 seventh among 23 industries surveyed for reported fraud cases according to a 2018 Report by the Association of Certified Fraud Examiners (ACFE). Of the detection methods among the industries, fraud was most detected through anonymous employee tips, internal auditing, and management review (ibid, pg. 16).

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. Non-Cash
4. Cash On Hand
5. Expense Reimbursements

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 of internal controls, management review, and anonymous reporting mechanisms have on fraud detection and fraud risk mitigation.

2. HIGHEST AREAS OF FRAUD IN HIGHER EDUCATION

In the 2018 ACFE survey, the highest areas of fraud in Education included the following:

- Corruption – 43%
- Non-Cash – 22%
- Billing – 18%
- Expense Reimbursements – 11%
- Check and Payment Tampering – 8%

(Ibid, Slide 3, pg. 25)

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

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

- Skimming
- Cash Latency
- Financial Statement Fraud
- Payroll
- Register Disbursements

The ACFE Report also reported 96 fraud cases in the education sector. Of the 96 cases, 36 involved corruption. Among the number of corruption cases reported, fraud schemes in education ranked fifth.
4. CASE EXAMPLES: ACADEMIC FRAUD IN ATHLETICS

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 of academic fraud involving athletics departments:

1. Missouri Tigers (a Division I team) athletics department confirmed academic fraud allegations in which a former tutor was directed by officials to give impermissible academic benefits to over a dozen athletes (Derek Helling, Missouri Tigers Athletics Department Admits Academic Fraud, Kansas City Kingdom (May, 2018)).

2. Federal investigators (specifically, the FBI) arrested an Adidas employee who was involved in a quid pro quo agreement that paid $100,000 to the family of a heavily recruited high school basketball player in efforts to persuade him to attend a particular college. The descriptions of the allegedly involved institution matched that of the University of Louisville (Marc Tracy, N.C.A.A. Coaches, Adidas Executive Face Charges; Pitino’s Program Implicated, The New York Times (Sep. 26, 2017)).
CASE EXAMPLES CONTINUED: CONFLICT OF INTEREST

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 of 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](http://www.acfe.com/fraud-examiner.aspx?id=4294972114)).
5. WHAT SHOULD I REPORT?

Dishonest, unlawful acts that are either known or suspected must be reported, such as:

- Authorization of compensation for hours not worked.
- Improper and wasteful activity or wasteful use of State resources.
- Pursuit of an advantage or benefit in violation of any MTSU policy, including the University’s Conflict of Interest Policy (Policy 12).
- Unauthorized alteration or forgery of physical documents or electronic files.
- Theft and/or misallocation of supplies, property, funds, or other University resources.
6. REPORTING FRAUD, WASTE, AND ABUSE

Multiple options are available to students, university employees, and others who are in need of reporting suspected or known dishonest acts.

If you suspect, or have knowledge of, the improper use of University resources, or other dishonest acts, you can report the fraud, waste, and/or abuse to:

► MTSU Audit and Consulting Services at their fraud reporting email address of reportfraud@mtsu.edu or by calling (615) 898-2914.

► The State of Tennessee Comptroller's Hotline at 1-800-232-5454, or online at comptroller.tn.gov/hotline.

► An administrator or officer of MTSU.

► A supervisor, department head, or division Vice President of MTSU.

► All allegations of fraud, waste, and/or abuse are investigated by MTSU Audit and Consulting Services. For additional information on the investigations process regarding allegations and cases of fraud, waste, and abuse, please contact the MTSU Office of Audit and Consulting Services at audit@mtsu.edu.
8. PROTECTION UNDER STATE LAW

Prohibition of Retaliation and Discrimination

Any allegation of fraud, waste, or abuse that is reported, in good faith, will be protected under state law. Discrimination or retaliation against the individual reporting the allegation is prohibited and is considered a Class A misdemeanor.

Information Reported is Confidential

Allegations made by an individual to the MTSU Audit and Consulting Services are confidential. However, if there is a separate legal obligation for investigation, complete confidentiality or anonymity cannot be guaranteed.
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 afect 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.
6. **Think before you speak.** Prior to making any allegations of dishonesty, be reasonably certain of your claims. The allegations made by you can negatively impact the life of the accused individual and adversely affect the working environment.
QUESTIONS?

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3. Anne Rawland Gabriel, *8 Ways to Deter and Detect Campus Fraud*, University Business (Jan. 6, 2014).


7. MTSU Audit and Consulting Services, reportfraud@mtsu.edu.