



Prevention & Detection of Fraud at LSU

Toby Miller, CIA, CFE
Investigative Audit Manager

Agenda

- ❑ Conditions for fraud
- ❑ Business managers' key role
- ❑ What to look for
- ❑ University policy - PM-76
- ❑ Reporting concerns
- ❑ Our office (OIA)
- ❑ The Helpline

What is Fraud?

- ❑ **Fraud** is any activity that relies on *concealment* or *deception* to achieve a gain or avoid a loss.
- ❑ It becomes criminal when it involves a “knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment” (Black’s Law Dictionary).
- ❑ **In other words**, if you lie to deprive a person or organization of their money or property, you’re committing fraud (ACFE).

Conditions for Fraud



Incentive/Pressure: The real or *perceived* motivation - the compelling “reason” or “need” to commit fraud

Opportunity: Absent/weak internal controls or monitoring to prevent it

Rationalization/Attitude: The internal justification or “OK” to commit fraud

As managers, you can help significantly reduce at least one of these areas ... OPPORTUNITY

Key Role...

- ❑ Business managers play a **key role** in controls and monitoring
- ❑ The University's **1st line of defense**
- ❑ In the **best position** to catch things others might miss (including Accounting Services, and OIA)
- ❑ Understanding and insight at the individual/departmental level that offer a **significant advantage**

Effective oversight and review
is **VITAL!**

Potential Fraud Indicators?

- ❑ Some individuals may exhibit unusual irritability or become increasingly secretive about their activities, while others may be bolder and begin spending lavishly.

Red flags (Professional) -

- ❑ Questionable timing, frequency, amount, or reason for **management override** of controls
- ❑ **Irregular or poorly explained management activities**, consistently exceeding goals/objectives regardless of market changes
- ❑ Presence/timing of non-routine transactions or journal entries
- ❑ Transactions lacking documentation or normal approval
- ❑ **Purchases just under approval thresholds**
- ❑ Problems/delays providing documentation or information
- ❑ **Rapid turnover** of key employees either - resignations or terminations
- ❑ **Unrealistic productivity measurements**

Potential Fraud Indicators

Red flags (Professional) - *continued*

- ❑ Inadequate training programs
- ❑ An employee with **unusually close associations with suppliers**
- ❑ Significant/**unusual changes** in customers or suppliers
- ❑ Operations under emergency or crisis
- ❑ An employee works **unexplained overtime** (nights/weekends) and/or refuses to take vacations - or only takes a day or two off at a time

Red flags (Personal) -

- ❑ **Significant changes in personal circumstances**
 - Living beyond one's means
 - Major setbacks in finances or health
- ❑ Excessive use or **addiction** to drugs, alcohol or gambling
- ❑ Resentment of superiors/managers & frustration with job
- ❑ Developing/competing outside business interests

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Purpose

- ❑ Address the detection, reporting and investigation of known or suspected financial irregularities

Responsibilities

- ❑ **LSU Community** - Report “acts of known or suspected” theft/ misappropriation and other financial irregularities
- ❑ **Management** - Prevent and detect financial irregularities and ensure proper internal controls are in place to reduce the risk of occurrence
 - Report any acts of known or suspected financial irregularities
 - Authorized to take such action, in the course and scope of their duties, to prevent further loss to LSU or to mitigate such loss as may have occurred
- ❑ **OIA** - Investigate “financial irregularities” and report

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“Financial Irregularities”

- ❑ Misappropriation or misapplication of LSU funds or other property (tangible and intellectual)
- ❑ Alteration, unauthorized modification, forgery of official documents or records (time sheets, travel vouchers, purchase orders, checks, academic records, etc.)
- ❑ Misuse of LSU property/assets (personal or other inappropriate use)
- ❑ False claims of any kind or nature relating to financial matters
- ❑ Identity theft
- ❑ Accepting or seeking anything of value when such conduct is prohibited by law
- ❑ Accepting or authorizing compensation for work not performed or engaging in conduct that constitutes a financial conflict of interest
- ❑ Any other fraud or deceptive practice involving financial matters
- ❑ Other intentional acts or omissions of a similar nature that violate LSU policy, procedure, or law regarding financial matters

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Reporting

- ❑ Immediate supervisor or superior within the affected activity or unit*
- ❑ The Office of Internal Audit (OIA)
- ❑ An officer designated by the LSU Entity Head or their designee
- ❑ The LSU Ethics, Integrity, and Misconduct Helpline (can be anonymous)
 - Telephone call to 855-561-4099 - or -
 - Online report at www.lsu.ethicspoint.com

*If circumstances make reporting up the chain uncomfortable or impossible, please feel free to report directly to us (OIA) or use the Helpline.

A Little About Us...

The Office of Internal Audit (OIA) is ...

- Independent
- Objective
- Private

FAQs

- Will anyone find out I helped or was involved?
- Will I be named in the report?

The Helpline

LSU Ethics, Integrity, and Misconduct Helpline

- ❑ Report named or anonymously
- ❑ Phone intake - 855-561-4099
 - A third-party operator will receive the report and read it back for accuracy
 - The operator then enters and submits the report in the system on behalf of the reporter
- ❑ Online reporting at www.lsu.ethicspoint.com
 - The report intake site guides the reporter with entry of key information

Reporting Tiers

- ❑ Tiers are set up in several categories to receive reports related to each campus.
- ❑ The selected tier determines who/which office is assigned to investigate



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Any financial irregularity, diversion, or misappropriation of LSU resources or assets should be reported here

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Fraud, Waste,
and Abuse

Any concerns
regarding sexual
misconduct,
retaliation, or
gender
discrimination
should be
reported here

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The Helpline

The following additional guidance is also provided on the intake site.

You may use this Helpline to report concerns including but not limited to:

- ❑ **Fraud, Waste, and Abuse** - financial irregularities including the unauthorized taking or misuse of university resources, false claims, improper procurement or contracting activities, payroll abuse, and other financial conflicts of interest.
- ❑ **Title IX** - sexual harassment, sexual assault, dating violence, video voyeurism, stalking, and retaliation.
- ❑ **Human Resources** - employment practices, working conditions, and employee misconduct, including but not limited to discrimination, harassment, workplace violence, and substance abuse.

Contact

Toby Miller, CIA, CFE
Investigative Audit Manager
Office of Internal Audit
(225) 578-4365
tobymiller@lsu.edu

Quick recommendation...

**HOW COULD
ONE WOMAN
STEAL \$53 MILLION
WITHOUT ANYONE
NOTICING?**

A FILM BY KELLY RICHMOND POPE

A L L T H E
**QUEEN'S
HORSES**

All the Queen's Horses tells the story of Rita Crundwell as self, the perpetrator of the largest case of municipal fraud in American history.

PROPERTY OF THE

CITY OF DIXON

Thank you for your time!

Questions?