UCF Fraud Risk Assessment Committee Update

December 5, 2024

Agenda

- Committee mission and membership

- Current activities and processes

Why is fraud a big deal?

- More than half (52%) of large companies experienced internal fraud in 2020 and 2021, according to PwC's Global Economic Crime and Fraud Survey 2022. That is the highest level in 20 years of survey research.

- About one in five of those companies (18%) reported that their most disruptive incident of fraud cost them more than $50 million.

Detailed Fraud Risks

Fraud Risks

MISAPPROPRIATION OF ASSETS

- Expense Reimbursement Schemes
- Travel Fraud
- False Vendors
- Check or Document Tampering
- Inappropriate Segregation of Duties
- Scholarship Fraud
- Misdirecting Vendor Payments
- P-Card Abuse
- Wire Transfer Fraud
- Benefit Fraud
- Abusive Time Charges
- Unauthorized Sale or Taking of Assets

MISAPPROPRIATION OF ASSETS (CONT.)

- Lapping of Receivables
- Write-Off Schemes
- Skimming
- Escheatment Fraud
- Payroll Fraud
- Point of Sale Frauds
- Ghost Employees
- Incentive Pay Fraud

FINANCIAL / NON-FINANCIAL REPORTING

- False Reporting of Data / Results
- Forgery
- Journal Entry Fraud
- Improper Revenue Recognition
- Billing Fraud
- Fraudulent Sales Incentive or Rebate Claims
- Fraudulent Insurance Claims
- Financial Reporting Fraud

COMPLIANCE / REGULATORY/ ILLEGAL ACTS

- Unauthorized Acquisition, Use or Sale of Institutional Proprietary Data
- Unauthorized Acquisition, Use or Sale of Personal Private Data
- Identity Theft
- Financial Aid Fraud
- Antitrust Activities
- Contract Fraud – Self-Dealing
- Contract Fraud – Side Agreements
- Grants and Research Fraud
- Anti-Embargo Fraud
- Academic Cheating
- Unauthorized Grade Changes
- Credit Card Theft
- Failure to Disclose Conflicts of Interest

EXTERNAL / CORRUPTION

- Student Admissions Fraud
- Corruption
- Procurement Fraud – Bid Rigging
- Vendor Kickbacks
- Fraud or Theft by Third Parties / Criminals
- Endowment or Investment Fraud
- Extortion or Blackmail
- Cybercrime
- Password Theft
- Money Laundering

Image 1

Fraud Risks and Descriptions in Higher Education

Fraud Risk	Description
Expense Reimbursement Schemes	Mischaracterizing expenses, overstating expenses, submitting the same expense multiple times, or falsifying expenses to obtain unwarranted reimbursement through Travel and Entertainment or other avenues.
Travel Fraud	Mischaracterizing personal travel as business-related, non-attendance at conferences paid for by the organization or "double-dipping" and getting paid to attend by multiple sources. Submitting expenses that never happened, manipulating receipts to hide policy violations, allowing unauthorized friends or family to benefit from organization-paid travel or meals.

Why did we put the Committee together?

- **FLORIDA BOARD OF GOVERNORS REGULATION NUMBER AND TITLE**

  - *3.003 Fraud Prevention and Detection*

- This regulation strengthens the State University System's stance on and fight against fraud. It provides a definition for fraud and requires each university Board of Trustees to adopt a regulation establishing criteria related to institutional controls and a risk management framework that will provide a reasonable assurance that fraudulent activities will be prevented, detected, reported, and investigated, as appropriate, at their institutions

If not us, who?
If not now, when?

John F. Kennedy

Committee Members as of December 1, 2024

Douglas Backman
Director, Office of Compliance, Office of Research

Maureen Binder
Associate Vice President, Chief HR Officer

Alison Bogart
Associate Director, IT Audit

Megan Carrigan
Chief Financial Officer, Research Foundation

Tina Maier
Associate Director, Audit

Glenn Martin
Associate Professor, Institute for Simulation & Training

Tammie McClellan
Interim Chief Information Security Officer

Amanda Miller
Associate Director, Institutional Research

Sara Potter
Associate General Counsel

Chuck Reilly
Associate Provost for Contract Compliance & Administrator Support

Melanie Schrey
Associate Director, ERP Application Systems

Christina Serra
Assistant Vice President, University Compliance & Ethics

Robert Taft
Chief Audit Executive

Christy Tant
Assistant Vice President for DSO Accounting & Reporting

Primary Activities

- Raise awareness of the types of **fraud schemes** that may occur in higher education.

- Identify anti-fraud controls that help **prevent** fraudulent activities from occurring.

- Identify anti-fraud controls that help **detect** unusual transactions or activities that may be fraudulent.

- Identify areas where **additional** anti-fraud controls may be needed.

- Committee **WILL NOT perform fraud investigations** as a group.

"Conducting a Fraud Risk Assessment", ACUA Kick Starter (July 2023)

First Steps

Activity	Status
Brainstorm and evaluate potential fraud scenarios.	Portfolio of scenarios has been created.
Select three scenarios that we want to initially focus on.	First three scenarios selected (Research Time and Effort, Payroll Fraud and Gift Cards).
Identify internal and external subject matter experts and other resources to learn more about the potential risks and preventative/detective controls that can be implemented.	The committee has met with subject matter experts on the first two scenarios with the third scheduled for January 2025.
Based on our evaluation, determine if this scenario is a potential concern at UCF based on the volume of activity, level/type/adequacy of controls, prior risk history, potential impact (damage to reputation, financial loss, etc.).	Committee agreement that the first two scenarios should be evaluated. Will evaluate the third during the January 2025 meeting.
For each scenario evaluated, determine the need to prepare a memo to escalate concerns and potential improvements to appropriate management and Board of Trustees.	Two draft memos have been developed. Memos will be addressed to the president and the UCF Audit and Compliance Committee. Meet with impacted UCF leadership prior to issuance.

Fraud Scenario Walkthrough

Schemes/ Scenarios / Prior Cases	Employee submits falsified work hours that are approved by the supervisor without review or approval.
Preventive Approaches & Controls	Any worker-initiated change would need to be approved by the supervisor within Workday. Timekeepers can only enter or submit time on behalf of the employee. They cannot approve.
Detective Approaches & Controls	Rely on manager to be aware of their employees' work hours and presence.
Gaps	Managers can use the "select all" on the review task to approve all their employees' time entries at once. This reduces manager's awareness of employees' work hours. (May be a delivered Workday page and may not have an option to hide the "select all" button. Is there a way/report to see how many managers are using the "select all"?)
Possible Recommendations	**1.** Supervisor should use the link in the individual employee time email notification sent to the supervisor, to approve the employee's time, rather than using the "select all" button at the last minute.

Only in special circumstances should the supervisor use the "select all" button to approve and submit their employees' time. This should only be used in those instances when the supervisor was unable to approve via notification emails and the approval deadline is upon them. Also, if the "select all" button is used, then the supervisor must go back at a later time to review the employee's submitted hours. |

Deliverables

Ongoing Activities	Annual Reporting
• Database of fraud risk scenarios that have been evaluated, are in progress or will be considered for future work. • Memos with recommendations on responding to specific fraud risk scenario activity. • Ideas on training documentation, communication and presentations to various groups around campus. • Establish Microsoft Teams channel to house committee materials.	• Annual Presentation on Fraud Risk to the UCF Board of Trustees Audit and Compliance Committee. (November/December meeting)