

The Compliance Gazette

Wednesday 11/8/2023

Compliance Week 2023

Day 2



Fraud Strikes Again!!!

Welcome to Compliance Week 2023. Read about horror stories in fraud, learn about fraud statistics, and how you can recognize fraud.

In this handout, read about:

- Fraud in higher education, pg. 2;
- Fraud infographics, pg. 6; and
- Fraud red flags, pg. 9



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Fraud in Higher Education

Small details led to big losses

No industry is immune to fraud. In this article we'll read about different frauds that occurred in higher education and the small details that caused the fraud.

Article 1: [Indiana University Foundation Theft of \\$300,000](#)

Article 2: [Purdue University Professor accused of using research funds \(\\$1.3 Million\)](#)

Article 3: [Higher Education becomes the target of bots and online fraud](#)



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Internal Audit Discovers Embezzlement Former employee confesses

An Indiana University Foundation employee was fired for allegedly confessing to embezzle funds from the foundation.

The theft was discovered during an audit. During the audit, samples of transactions are taken for review. However, a sample appeared to contain a mistake.

The employee came forward to a supervisor and confessed.

Embezzlement is the fraudulent taking of property by someone to whom it was entrusted.

Although the specifics of the sample were not described, generally, changing a small detail (including donated amount), can prevent fraud from being discovered.

[Read more here.](#)

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Former Purdue Professor Schemed to Defraud National Science Foundation

Dr. Qingyou Han, formerly a Purdue University Professor and his wife Lu Shao (on behalf of her company Hans Tech, were sentenced to 2 years probation.

Together the defendants were ordered jointly and severally liable to pay \$1,651,996 in restitution; \$1,351,996 to National Science Foundation and \$300,000 to the Indiana Economic Development Corporation, which had provided Dr. Han and Hans Tech with a matching grant in that amount.

The charges stem from Dr. Han attempting to obtain grant funds through materially false or materially omitted information. The funds were to be used for personal gain.

Here the small details were likely found in the data submitted by dr. Han. The judge presiding over the case ruled that the loss was over \$1.6 million.

[Read more here.](#)



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Higher Education and Bots

In California, 65,000 fake applicants for financial aid were submitted. The San Diego Community College District paid out over \$100,000 in fraudulent claims before catching on.

Form-fill attacks are easier to commit at community colleges because they do not have admissions committees to verify applicants.

In order to combat these attacks, colleges are encouraged to have stricter verification processes (such as reCAPTCHAs at the end of forms and monitor website traffic for signs of bot activity (e.g., traffic spikes from unusual locations or from a single IP address.

[Read more here.](#)

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Fraud losses were
2X HIGHER
at organizations without hotlines



\$100,000



\$200,000

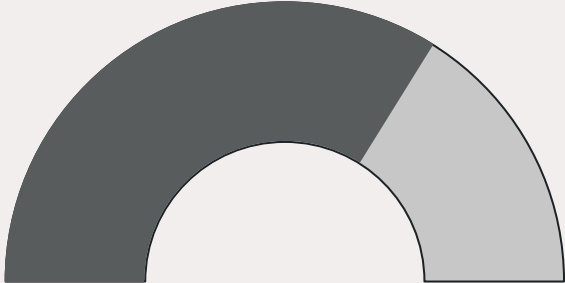
Organizations with hotlines detect frauds more quickly

Hotline

12

Months

Quicker Detection



No Hotline

18

Months

All facts taken from "Occupational Fraud 2022: A Report of the Nations"

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HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?

Knowing the most common method by which fraud is the foundation for effective detection.

To this day, tips are still the most common way frauds were discovered.

Many times, the tips are based on the tipster viewing the fraud as it occurred, or the tipster knows there is an issue due to their knowledge of their specific area.

42%

Tips



16%

Internal Audit



12%

Management Review



30%

Other*



*Other methods include accidental discovery, account reconciliation, external audits, confessions, etc. None of the other methods amounted to greater than 6% each

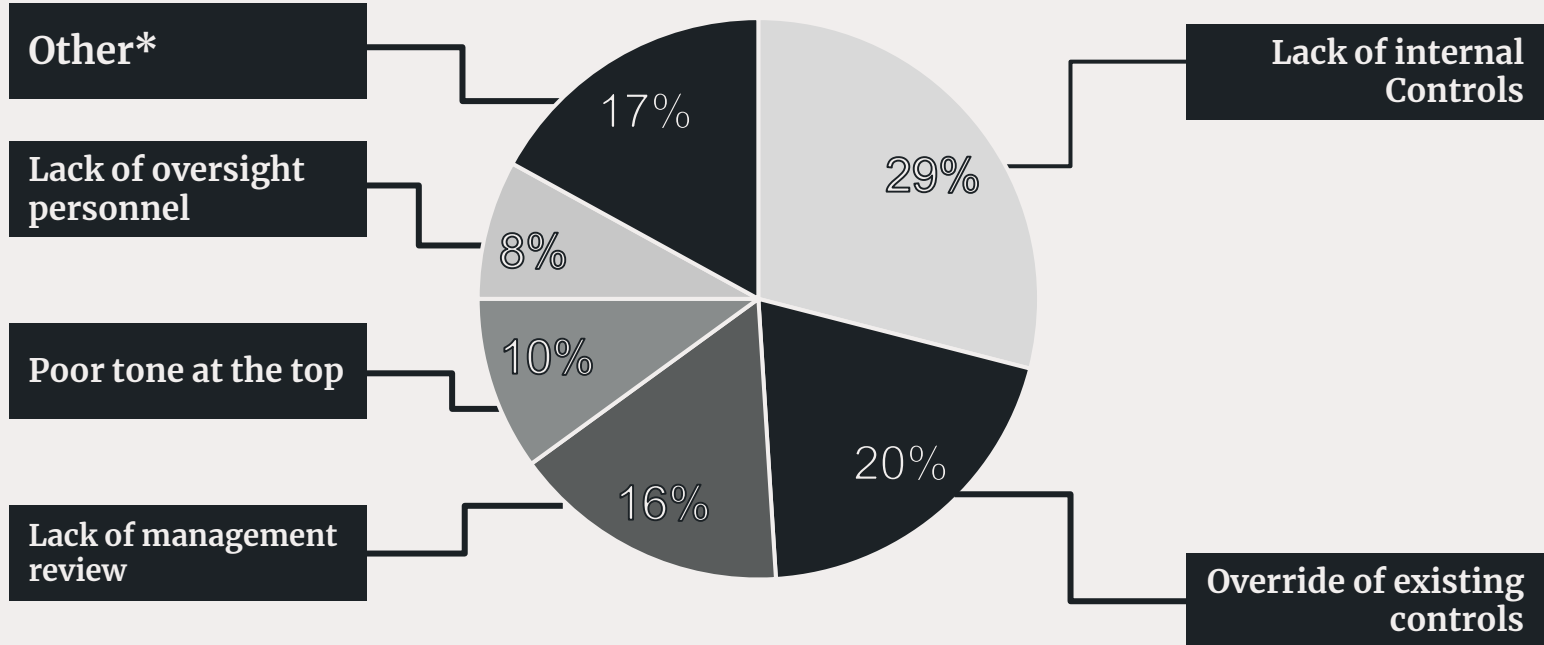
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Top Reasons Fraud Occurs



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85%

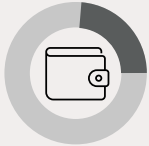
Of all fraudsters displayed at least one behavioral red flag.

NOTE: The existence of one or more red flags alone does not indicate that an individual is a fraudster. The inclusion of other facts must support such a claim.



39%

Living beyond means



25%

Financial difficulties



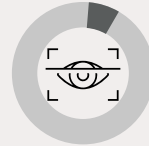
20%

Unusually close association with vendor/customer



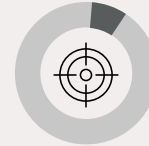
13%

Control issues, unwilling to share duties



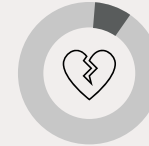
12%

Irritability, suspicious, or defensiveness



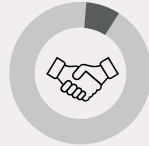
12%

Bullying or intimidation



11%

Family problems



10%

“Wheeler Dealer” attitude*

*a person who makes deals in business or politics in a skillful and sometimes dishonest way

Thank you and resources

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- Please click [HERE](#) to access this report.

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