

Fraud and Ethics

Presented by:

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Laredo Independent School District

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What is Fraud?

- the intentional false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

CFC (Local) Accounting Audits

- Factors of the definition:
 - intent
 - deception
 - harm

Fraud: What is Fraud?

Types of Fraud

- Cash receipts and disbursements
- Payroll
 - * Time and leave reports
 - * Expense reimbursement
 - * Check tampering
- Non-Cash
 - * Misuse
 - * Larceny (wrongful taking and carrying away of other's personal goods with intent to convert them to the taker's own use)
- Billing
 - * Improper charging of contracts and grants



Fraud: What is Fraud?

- Financial (asset and revenue overstatement/understatement)
- Non-financial
 - * Time theft (excessive internet use, cell phone use, texting, etc.)
 - * Employment credentials (employment application, social security number, references, job references, etc.)
 - * Documentation (references over or under stating performance, forging contract signatures, signing something you are not authorized to sign, status and performance reports, altering documents inappropriately, etc.)

Fraud: What is Fraud?

Types of Fraud

- Conflict of Interest
- Impersonation
- Nepotism
- Bribery
- Embezzlement
- Favoritism
- Substitution



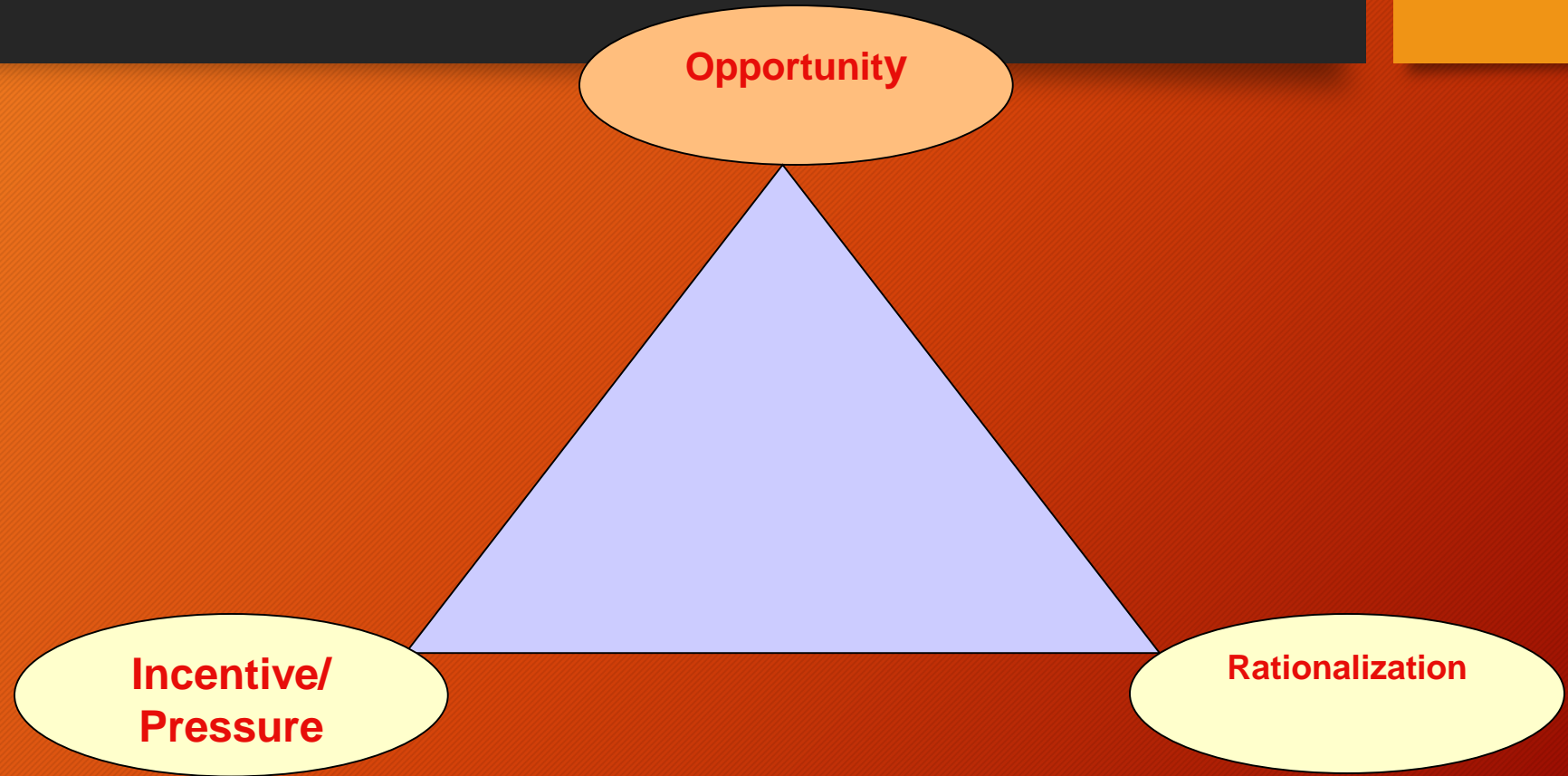
Fraud



Definition

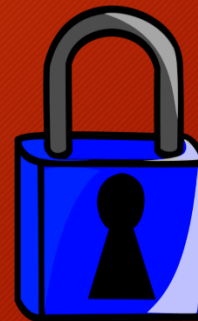
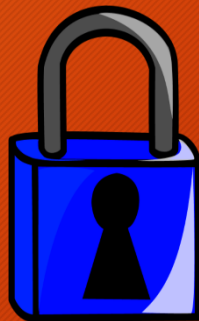
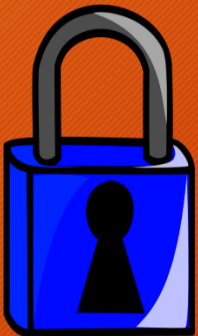
- Occupational fraud- the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. (*Association of Certified Fraud Examiners*)

Fraud Triangle



Opportunity

- Unethical tone at the top
- Lack of supervision
- Knowledge of weak controls
- Ineffective controls
- Belief “won’t get caught”



Incentive/Pressure



- Desire for status symbols—house, car, vacations, etc.
- Unusually high personal debt (gifts, etc.)
- Excessive gambling habit (football “pots”, maquinistas)
- Alcohol or drug problems
- Undue family or peer pressure to succeed
- Pressure placed on employees and/or administration/directors to perform

Rationalization- top reasons

- I need it more than the other person.
- Everybody does it.
- I deserve it!
- I'm not paid enough.
- The District has enough money, it won't miss a bit.
- I'm just borrowing; I'll pay it back.
- No one will notice.
- Everyone else gets all the credit and I do everything.
- Nobody will get hurt.
- Sometimes you have to.



Who commits fraud?

Conditions that contribute to fraud

- Inadequate pay
- Poor promotion opportunities
- Poor work environment
- Lack of recognition
- Pressure to perform
- Poor internal controls
- Inadequate training
- Low loyalty
- Failure to address known issues
- Inadequate staff/resources

What makes a person honest?

- Beliefs
- Organizational culture
- Perceptions & attitudes
- No reason to be dishonest
- Lack of or inadequate opportunity
- Fear



Characteristics of a Trustworthy Person

- Social within the community
- Member of a church
- Holds a position of responsibility
- No arrest record
- College degree
- Married with family
- Very care giving and a volunteer



Characteristics of a Fraudster

- Social within the community
- Member of a church
- Holds a position of responsibility
- No arrest record
- College degree
- Married with family
- Very care giving and a volunteer

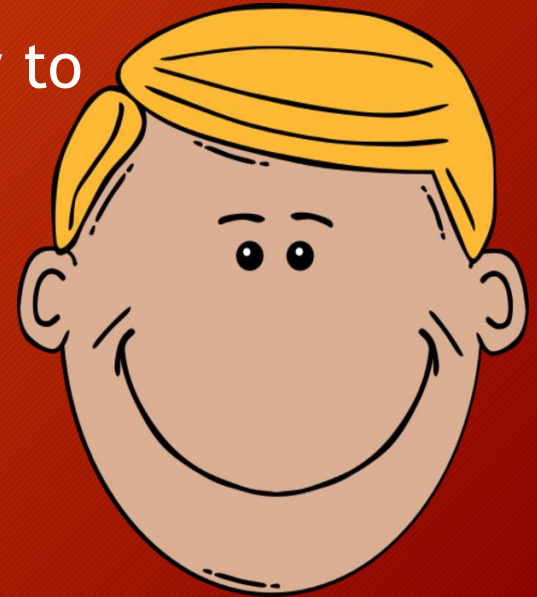


Question ?

- Why are their characteristics the same?

Why ???

- Fraud is committed by someone who is capable of deceiving another.
- Fewer controls are usually placed on individuals that appear trustworthy.
- Positions of trust are normally necessary to obtain access to items of value.
- Fraud has no boundaries.



Identifying a fraudster



- Male or female
- Any age
- Usually works long hours
- Does not necessarily have access to cash
- Is rarely absent
- Appears to be honest and very trustworthy

Some organizational “Red Flags”

- Too much trust in key staff
- Bad “Tone at the Top”
- Lack of or no proper authorization procedures
- Poor segregation of duties
- Lack of or no communication of expectations
- Lack of attention to detail

Examples of Fraud

- Manipulation of collections of district accounts
- Unauthorized use of funds/credit cards
- Alteration/falsification/destruction of documentation and/or school records and/or student records
- “Borrowing” district funds and/or any of our district assets
- Taking copy paper, pencils, equipment, etc., home

Observations over the years:

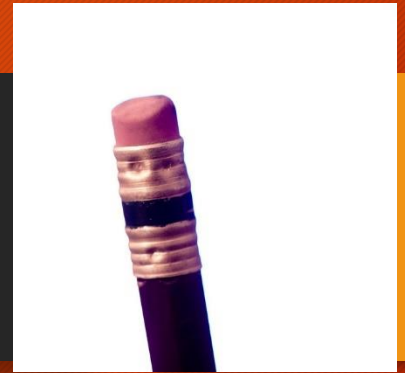
- District assets pawned by employee(s)
- Knowingly not performing duties as required resulting in district losses
- Questionable accountability of deposits
- Nepotism
- Theft of campus funds
- Alteration of student records
- PTO monies managed by Principal(s)
- District checks deposited in outside checking accounts
- Fundraisers during instructional time

...continued



- Monies not deposited accordingly
- Questionable Conflict of Interests
- Student raised funds deposited in PTO accounts
- Purposely circumventing district procedures
- Seeking unauthorized credit with vendors
- Negligence in the maintenance of school funds
- Unauthorized editing of employee's time

...continued



- Secretary altered daughter's time cards- - reflecting at times as though she was working when in reality she was not
- District employee performing “non-district duties” during district time
- Improper accountability of district monies
- Asst. Principal managing PTA monies
- Possible duplication of services
- “Borrowing” of student monies

Ethics



- A System of Guiding Principles
- The principles or expectations of conduct governing an individual or group

Examples of Ethical Violations

- Theft
- Deception/lying
- Discrimination
- Harassment
- Fraud

If lying was a
job, I know
some people
that would be
billionaires.

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General standards of Ethical Conduct

- Respect for others
- Individual responsibility and accountability
- Fair dealing
- Compliance with applicable District policies, procedures and other forms of guidance
- Employee code of conduct

General standards of Ethical Conduct

- Conflicts of Interest
- Compliance with applicable laws and regulations
- Use of District resources
- Reporting violations and protection from retaliation
- Records: Confidentiality/privacy and access

Be Alert---Clarify Expectations

- Policies and procedures
- Statement of Ethical Values
- District's Code of Conduct
- Laws and regulations
- Job descriptions
- Applicable policies and procedures, laws and regulations
- Whistleblower Policy
- Training on all of the Above

Be aware and stay alert

- TAKE CHARGE

Be a Responsible and Ethical employee



Steps for Fraud Prevention

Set the tone:

- Good management
- Clear roles and responsibilities
- Segregation of duties
- Policies and procedures
- Proper management review and approval systems
- Risk assessments
- Adequate training
- Audits
- Supervise- monitor
- Rotation of duties in susceptible positions



Board Policies



Familiarize yourself with the following:

- CAA (Local) *Fiscal Management Goals and Objectives*
Financial Ethics
- CFC (Local/Legal) *Account Audits*;
- DH (Local/Legal) *Employee Standards of Conduct*;
- DH (Exhibit) *Employee Standards of Conduct*
- DH (Regulation) *Code of Ethics and Standards of Conduct*
- DBD (Local) *Employment Requirements and Restrictions*
Conflict of Interest
- DH (Regulation) *Code of Ethics and Standards of Conduct*

Fraud Policy

- “All employees are responsible for the detection and prevention of fraud, misappropriation, and other irregularities. Each administrator shall be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.”

CFC (Local) Accounting Audits



Fraud Adds Up---Responsibility

- As employees, we are responsible for our job responsibilities and actions
- As Campus Principals, we are responsible for all that takes place at our campus
- As Directors, we are responsible for all that takes place at our department

Be aware of what is happening at your
campus/department

Let's be responsible employees!

So what if I commit fraud?

“If an employee is found to have committed fraud or financial impropriety, the Superintendent or designee shall take or recommend appropriate disciplinary action, which may include termination of employment.”

CAA (Local) Fiscal Management Goals and Objectives Financial Ethics



Keep in mind



- It is not possible to cover all potential situations as no set of rules and procedures will ever include such, therefore, the District must rely upon the good faith, good judgment and high moral standards of its employees as their main principle guide to ethical conduct. As public servants, this is expected of us.

Acknowledgement



- I acknowledge that I, as an employee of the Laredo Independent School District have read and understood this presentation as well as, all related Fraud and Ethics related policies addressed and referenced. As a district employee, I will comply with such.

Thank You

If you have any questions, feel free to contact the
Internal Audit Department

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