

E09 Prevent Fraud: Districts Who Learned the Hard Way

MSBO Annual Conference 2024



Defining Fraud



Current Landscape



Fraud Case Studies



Risk Assessment & Exercise



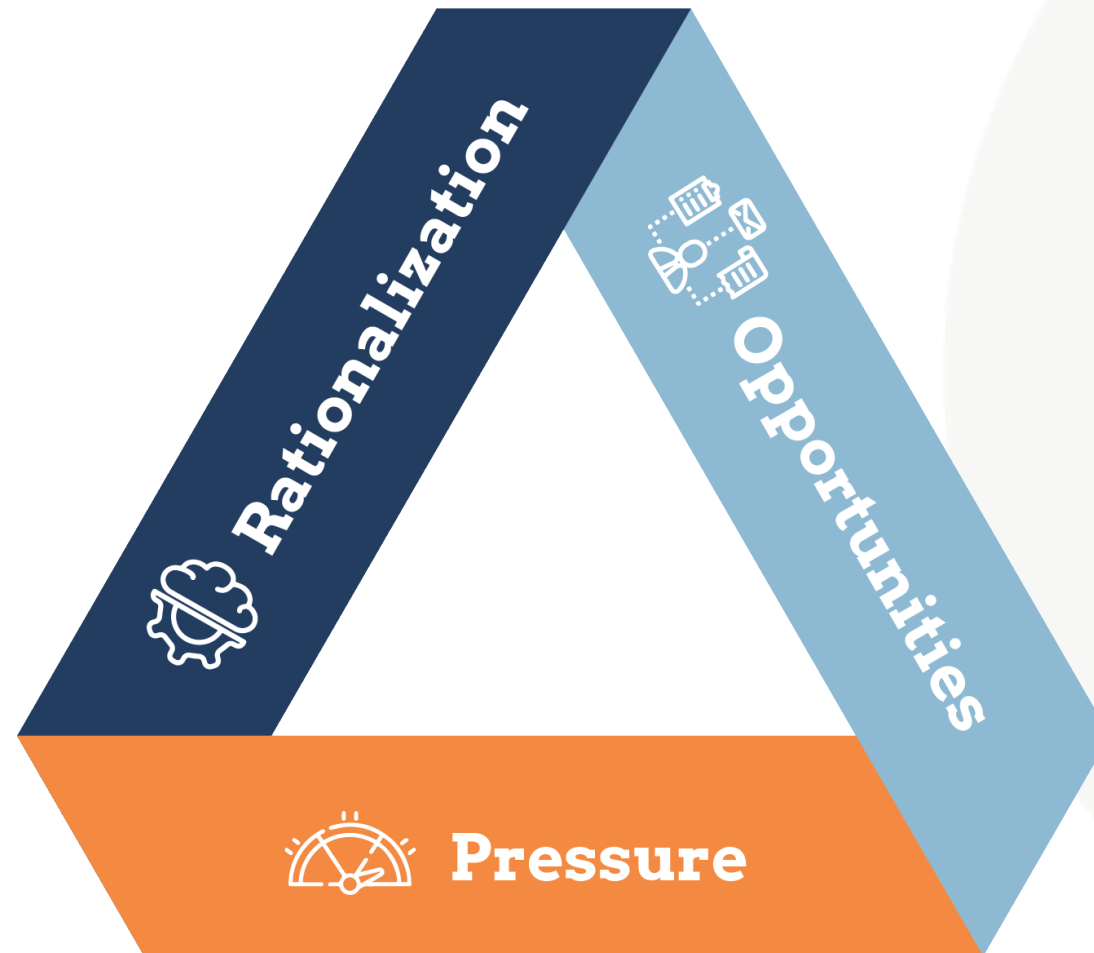
Top 10 Tips

Agenda

Defining Fraud

- **Wrongful or criminal** deception intended to result in financial or personal gain
 - Oxford Dictionary
- The crime of using **dishonest** methods to take something valuable **from another person**
 - Merriam-Webster Dictionary

Defining Fraud



Defining Fraud

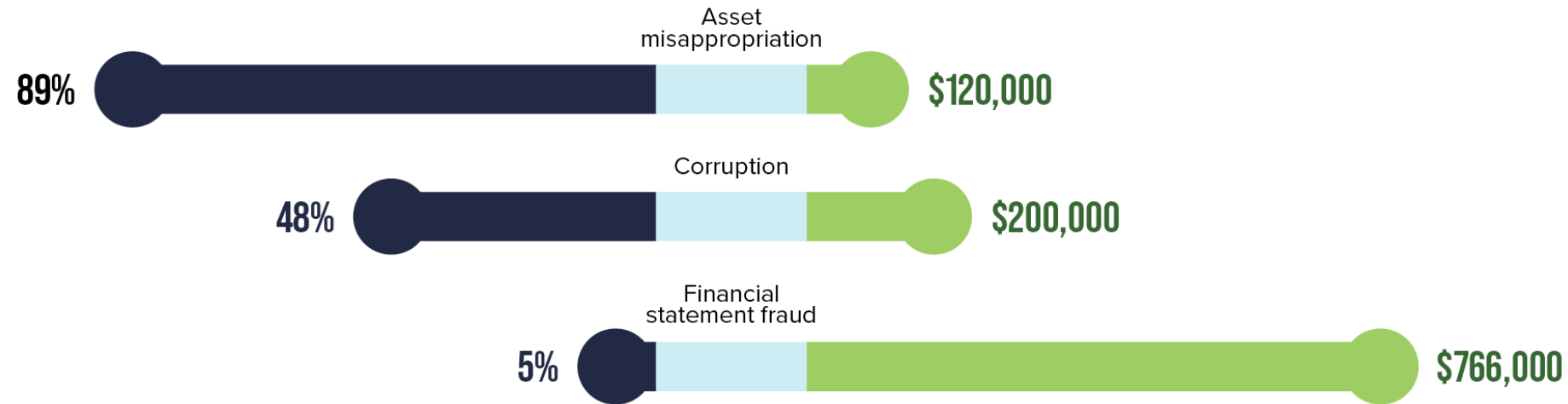
- Asset Misappropriation

- Corruption

- Conflicts of interest
- Bribery
- Illegal gratuities
- Economic extortion

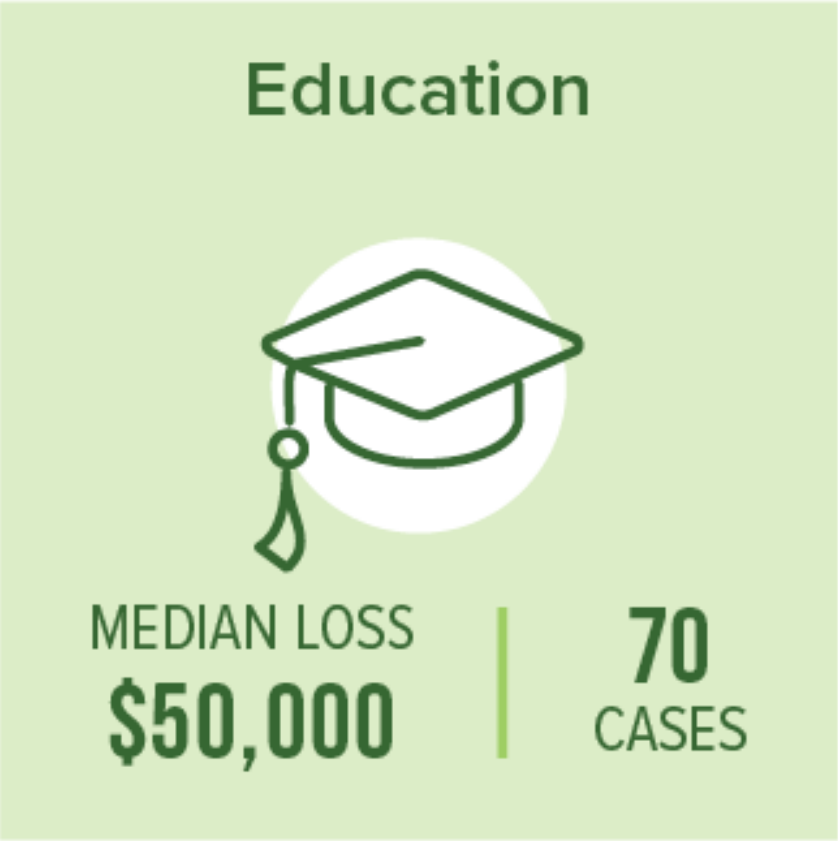
- Fraudulent Financial Reporting

- Financial
- Non-financial



Current Landscape

Report to the Nations 2024



Industry	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Banking and financial services	305	12%	12%	18%	14%	44%	6%	5%	16%	4%	4%	8%
Manufacturing	175	27%	6%	4%	7%	55%	17%	6%	29%	10%	1%	9%
Government and public administration	170	24%	15%	8%	14%	52%	15%	4%	15%	18%	4%	11%
Health care	117	38%	9%	8%	12%	47%	21%	1%	22%	16%	2%	9%
Energy	78	19%	8%	9%	8%	60%	13%	4%	29%	10%	3%	6%
Retail	78	17%	10%	13%	5%	40%	6%	0%	32%	3%	9%	14%
Construction	73	38%	12%	7%	19%	52%	25%	10%	25%	23%	4%	23%
Education	70	36%	9%	13%	10%	43%	17%	0%	16%	7%	6%	19%
Insurance	69	19%	6%	6%	20%	49%	12%	9%	16%	10%	6%	9%
Technology	65	28%	9%	2%	9%	65%	11%	3%	32%	14%	0%	5%
Transportation and warehousing	60	18%	10%	18%	7%	52%	12%	2%	33%	10%	3%	7%
Religious, charitable, or social services	58	36%	17%	24%	17%	45%	29%	3%	10%	7%	2%	16%
Information	52	15%	10%	10%	0%	62%	10%	2%	27%	6%	0%	10%



Fraud Case Studies

Tulsa Public Schools

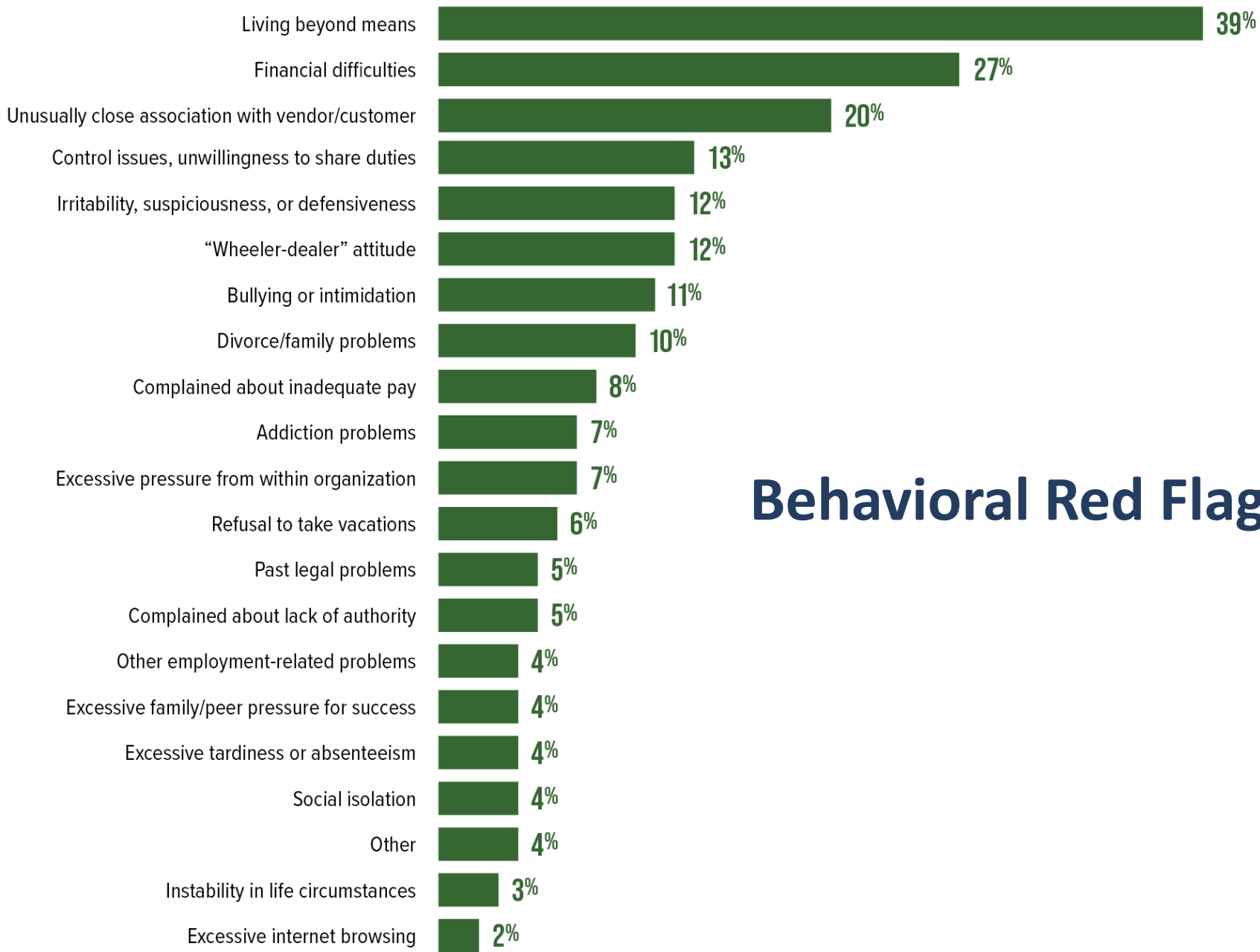
- \$600,000 loss
- Inflated invoices & fake consulting firm

Crosby ISD

- Securities & Exchange Commission
- \$20 million of fraudulently issued bonds

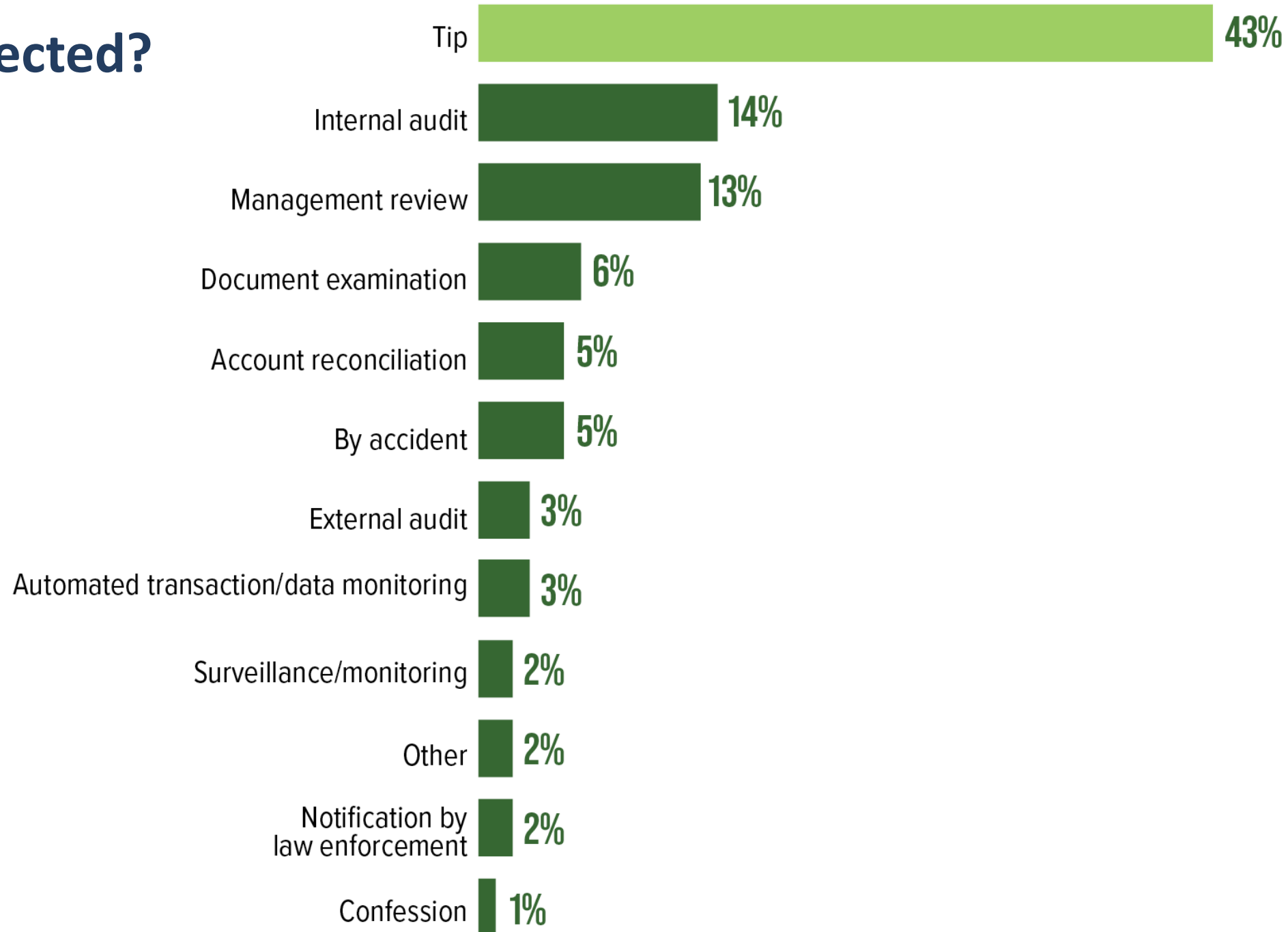
Clark County School District

- \$1.4 million loss
- Vendor wire payment

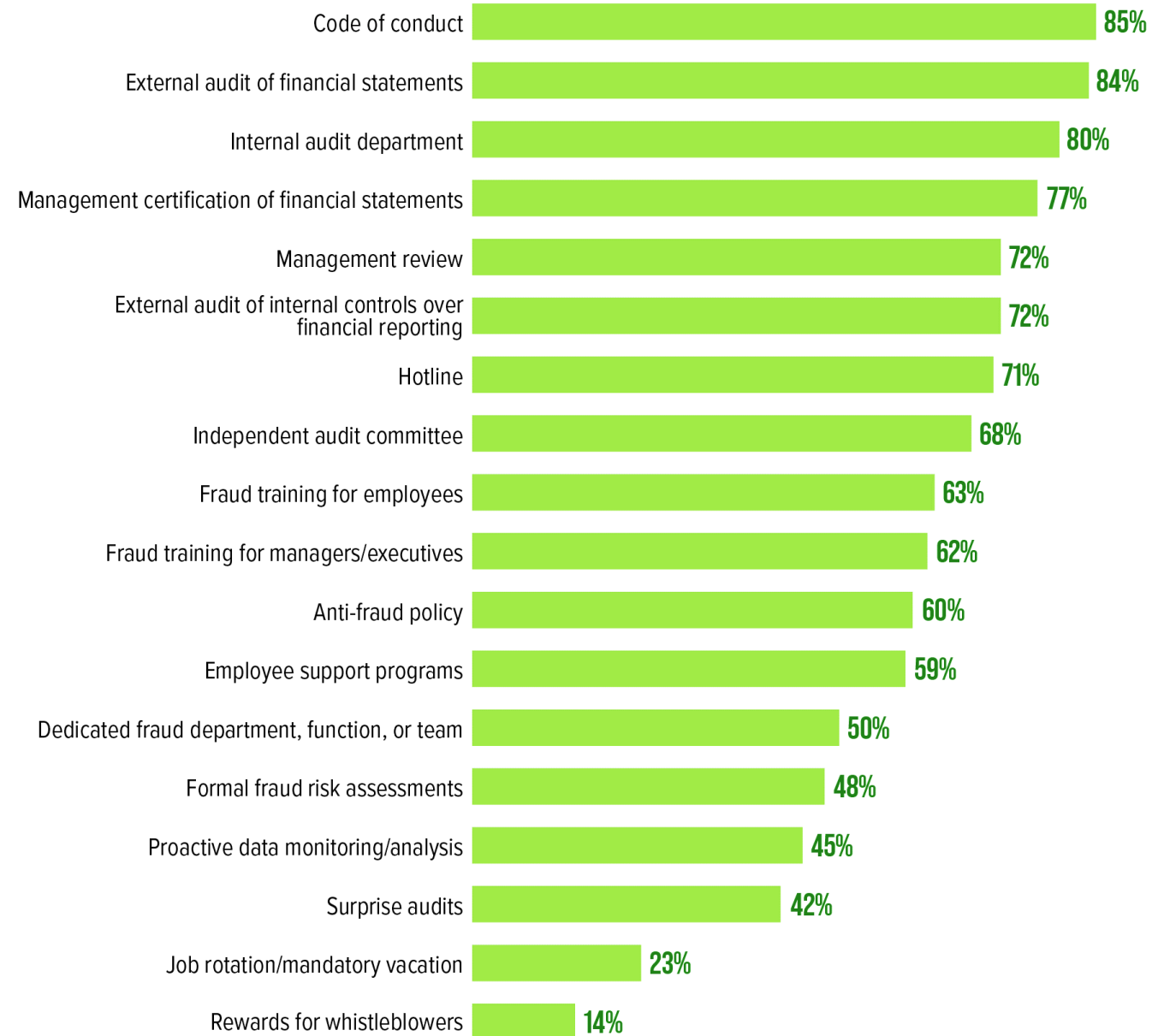


Behavioral Red Flags of Fraud

How is Fraud Detected?



Most Common Prevention Techniques



Risk Assessments

1

Focus on
prevention

2

Focus on
*separation of
duties*

3

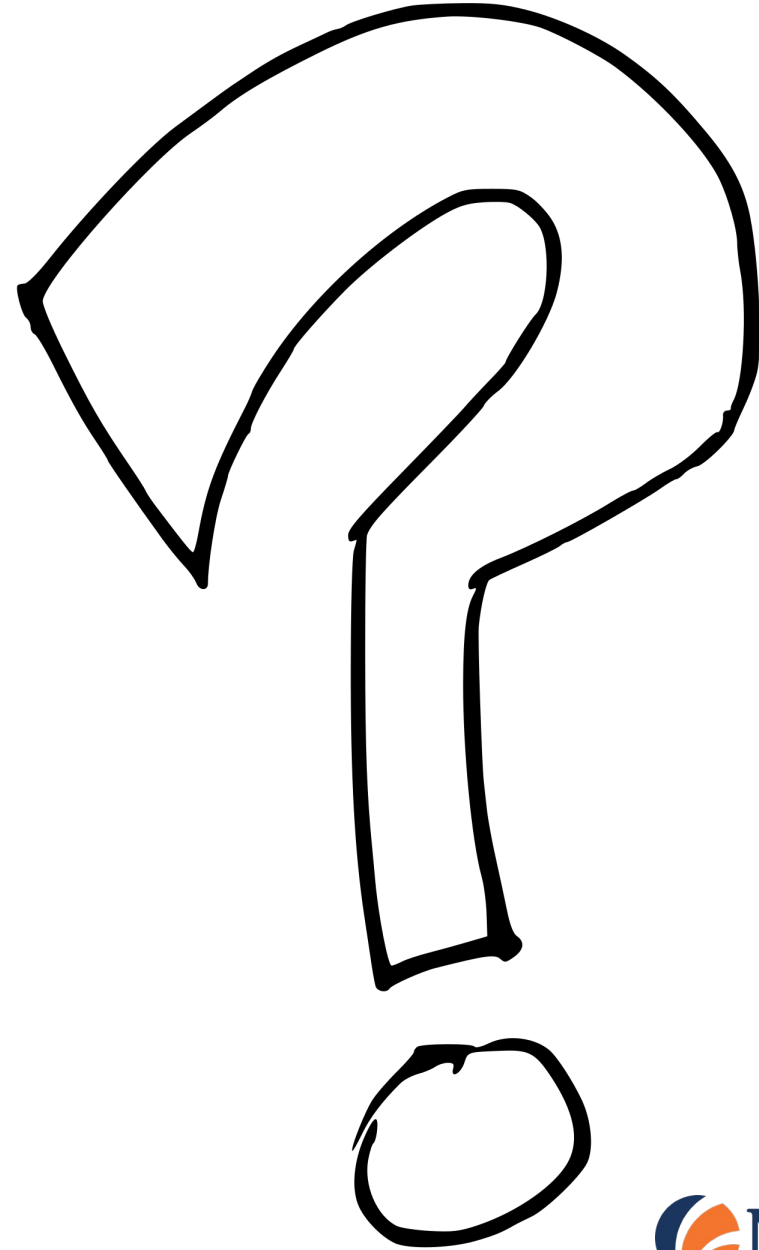
Focus on
what we can
control

4

Focus on
what we can
monitor

Risk Assessment

- **Who** has access?
- **What** could be misappropriated?
- **When** are things most vulnerable?
- **Where** is the financial impact?
- **How** do we control it?



Risk Evaluation

Risk Assessment Matrix

Area of Focus	Key Risks Affecting this Area	Level of Risk (H/M/L)	Mitigating Control(s)	Key Control	Comments



Risk Assessment Exercise – Practical Application

Risk Assessment Options

- Internal
 - Use the matrix provided, work in teams
 - You have a deep knowledge of the process
 - Total buy-in and engagement
 - Limited outside perspective
 - Often time constraints
- External
 - Outside perspective & additional viewpoints
 - More in-depth evaluation
 - Assistance with interpretations
 - Additional resources
 - Still *some* time from the internal team members



Top 10 Tips

10. Implement a **Fraud Policy**

9. Implement a **Conflict of Interest Policy**

8. Vendor **onboarding** & audits

7. Improve credit card **monitoring, use and policy**

6. Review and **analyze** budgets and financial statements

Top 10 Tips

5. Use your accounting software

4. Disbursement documentation

3. Bank reconciliation process

2. Separate preparation, review & approval process

1. Procedure manual

Questions & Contact Information

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