Agenda

• Audit and Advisory Services Update
  • Fraud in Higher Education

• Policy and Compliance Update
  • New Human Resources Preferred Name Practice Directive
  • Records Requests “Ins-and-Outs”

• ERM Update
  • Annual Insurance Cost Update
  • Claims Improvement Group

• Upcoming Events
  • Campus Safety Week

• Request for Topics of Interest
Audit and Advisory Services
How to Catch a Thief: 
Current Fraud Trends and Tips for Detection
Fraud in Education

- The question is not if it is happening... The question is at what level of fraud and how often!
- What are you doing to prevent and detect fraud?
- Why is this important to higher education?
- Two industries with highest events of fraud are:
  - Government Entities
  - Public Sector
- Majority of higher education falls within those two categories!
Fraud In Education: The Facts of Fraud

- **Anyone** can commit fraud
- Education is one of the top five industries affected by fraud (behind banking, government, manufacturing, and healthcare)
- Stronger internal controls minimize the risk of fraud
  - Trust is **not** an internal control
  - Banks are **not** an internal control for preventing/detecting check fraud
- Tips are the most common detection method
  - 40% of frauds were detected by tip
  - Fraud losses were 50% smaller at organizations with hotlines
Fraud in Education:
Common Fraudulent Activities

1. Fake Vendor Fraud
2. Employee Expense Report Fraud
3. P-Card Fraud
4. Wire Fraud
5. Donation Fraud
6. Multiple Check Deposits
7. Contract and Procurement Fraud
8. Financial Aid Fraud
9. Conflict of Interest
10. Off-Site Cash, Check and Credit Card Fraud
FRAUD TRENDS IMPACTING HIGHER EDUCATION
Fraud Risks from External Sources

In today’s environment, higher education organizations have many of the same challenges as other types of organizations, such as:

- Fraud from **external sources**, including cybercriminals
- Fraud from **internal sources**, including trusted employees
External Fraud Trends Impacting Higher Education

- **Business Email Compromise (BEC) Schemes**
  - This is the number one threat in today’s 2018 environment!
  - The use of deception to manipulate individuals into divulging confidential information!
  - Can cause you to wire funds to unauthorized third parties!

- **Scammers and Schemes**
  - Fraudulent schemes perpetrated by a dishonest individual, group, or criminal enterprises in an attempt to obtain money by trick, deceit, or false pretenses

- **Hackers and Malware (Not Covered in this Presentation)**
Tips to Minimize External Fraud Risks

- An anti-fraud oversight group must be established to address both external and internal fraud
- Ensure you have a current robust Cybersecurity Program in place and it is tested!
- Ensure all computer and electronic access to your organization’s network is immediately disabled when employees/volunteers leave
- Ensure regular fraud training is provided to all employees, staff and volunteers
FRAUD TRENDS FROM INTERNAL SOURCES: OCCUPATIONAL FRAUD
ACFE Report to the Nations 2018

- Report to the Nations on Occupational Fraud and Abuse, 2018 Global Fraud Study
- Bi-Annual Report
- Analysis of 2,690 cases of occupational fraud across 125 countries in 23 industries
- Results based on 2017 Global Fraud Survey opened to 41,788 CFEs about their largest fraud case investigation completed between January 2016 and October 2017
- First ACFE Report to the Nations was issued in 1996

ACFE Report to the Nations 2018

1. Average loss to Organizations
   - 5% of annual revenue

2. Fraud in NFP and Government

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>% of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>42%</td>
<td>$164,000</td>
</tr>
<tr>
<td>Public</td>
<td>29%</td>
<td>$117,000</td>
</tr>
<tr>
<td>Government</td>
<td>16%</td>
<td>$118,000</td>
</tr>
<tr>
<td>NFP</td>
<td>9%</td>
<td>$75,000</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>$120,000</td>
</tr>
</tbody>
</table>
3. Most Common Fraud Schemes in Education
   - Corruption – 38%
   - Billing – 23%
   - Larceny – 19%
   - Expense Reimbursements – 18%

4. How Occupational Fraud is Committed

<table>
<thead>
<tr>
<th>Type of Fraud</th>
<th>% of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Misappropriation</td>
<td>89%</td>
<td>$114,000</td>
</tr>
<tr>
<td>Corruption</td>
<td>38%</td>
<td>$250,000</td>
</tr>
<tr>
<td>Financial Statement Fraud</td>
<td>10%</td>
<td>$800,000</td>
</tr>
</tbody>
</table>
ACFE Report to the Nations 2018

5. Where Fraud Originates (and its Impact on an Organization)

<table>
<thead>
<tr>
<th>Department</th>
<th>% of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>14%</td>
<td>$212,000</td>
</tr>
<tr>
<td>Operations</td>
<td>14%</td>
<td>$88,000</td>
</tr>
<tr>
<td>Sales</td>
<td>12%</td>
<td>$90,000</td>
</tr>
<tr>
<td>Executive Management</td>
<td>11%</td>
<td>$729,000</td>
</tr>
</tbody>
</table>

6. Most Fraudsters Appear to be First-Time Offenders

- Never Charged / Convicted – 89%
- Charged, Not Convicted – 6%
- Prior Convictions – 4%
- Other – 1%
Impact of Fraud – More than Just Money

- **Monetary** (losses that may or may not be recovered; costs and time spent of investigation/litigation)

- **Loss of confidence from stakeholders** (students – current and prospective, staff, auxiliary organizations and related parties, donors)

- **Reputation** (newspapers, TV news, social media) – length of time and effort needed to restore reputation
Fraud in Education – Recent Examples

- Embezzlement of at least $200K by former finance director at Northern New Mexico College – October 13, 2017
- A former official of Dodge City Community College is subject of a Kansas Bureau of Investigation fraud-by-misuse-of-funds inquiry – October 10, 2017
- A tenured Medgar Evers College (New York) professor accused of selling sham health care certificates to students for years – October 2, 2017
Fraud In Education- Conclusion

- Acknowledge that fraud risk exists
- Encourage open and candid discussion
- Continuously assess the risk of management and control override
- Openly display your skepticism to set the tone at the top and spread awareness
- Take swift action when a fraud event occurs and make the event of action (not the details) known internally
- If I were to try to commit fraud, how would I do it? – Understand key fraud areas committed in higher education and develop controls to detect and/or prevent and minimize loss
- Develop Whistle Blower policies and establish an easily attainable fraud hotline
Compliance and Policy
Preferred Name Practice Directive

- **Overview:** The Preferred Name Practice Directive allows San Francisco State University employees to use names, other than their legal names, to identify themselves at work.

- **Goal:** In order to provide the campus community with a safe, inclusive, and nondiscriminatory environment, the Human Resources department has implemented a self-service option for employees to update a Preferred Name.

- **Process:** Employees will be able to log in to Gateway and add a Preferred Name.
What are some examples of requests the campus receives?

1. Who? Current or former employees, students
   - What? Email communications between X and Y, containing keywords

2. Who? Journalists
   - What? Topics of interest

3. Who? Third parties
   - What? Student information
   - Note: Typically, CSU does not give out this type of information because of the importance we place on student privacy rights
Records Request Overview

- The campus regularly receives records requests that must be complied with, including:
  - Public Records Act Requests
    - Requires inspection or disclosure of governmental records to the public upon request, which is intended to give the public an opportunity to monitor the functioning of their government.
  - Subpoenas
    - A legal order to produce records or to appear in court, which must answered by a specified date.
  - Other types of records requests
How might you be asked to help?

- The Compliance & Policy Coordinator may reach out to your department to ask for documents including the following:
  - Emails
  - Electronic files
  - Hard files

- You may also be asked to provide clarifying information:
  - e.g., did XYZ ever work in your department?
Records Requests – Key Takeaways

- All records requests should be promptly forwarded to the Compliance & Policy Coordinator.

- Subpoenas, California Public Records Act requests, and other requests have important legal deadlines that the University must comply with.

- Faculty and staff should check email on a regular basis for requests, including departmental email accounts.

- The Compliance & Policy Coordinator may reach out to departments to gather documents, and might need your assistance.

- Don’t hesitate to ask questions or reach out!
Enterprise Risk Management
# Annual Insurance Cost Update

## Annual CSURMA Insurance Premiums

<table>
<thead>
<tr>
<th></th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability</td>
<td>$615,717</td>
<td>$592,703</td>
<td>$550,435</td>
<td>$875,661</td>
<td>$1,342,458</td>
</tr>
<tr>
<td>Worker's Comp</td>
<td>$2,407,806</td>
<td>$2,545,888</td>
<td>$2,445,638</td>
<td>$2,325,557</td>
<td>$2,689,598</td>
</tr>
<tr>
<td>IDL/NDI/UI</td>
<td>$1,020,480</td>
<td>$1,052,297</td>
<td>$1,045,382</td>
<td>$1,173,634</td>
<td>$1,132,166</td>
</tr>
<tr>
<td>Property</td>
<td>$527,027</td>
<td>$469,726</td>
<td>$510,705</td>
<td>$612,877</td>
<td>$688,078</td>
</tr>
<tr>
<td>Auto Liability</td>
<td>$26,972</td>
<td>$68,814</td>
<td>$29,154</td>
<td>$28,591</td>
<td>$30,163</td>
</tr>
<tr>
<td>AIME</td>
<td>$66,685</td>
<td>$23,730</td>
<td>$85,186</td>
<td>$91,504</td>
<td>$96,716</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,664,687</strong></td>
<td><strong>$4,753,158</strong></td>
<td><strong>$4,666,500</strong></td>
<td><strong>$5,107,824</strong></td>
<td><strong>$5,979,179</strong></td>
</tr>
</tbody>
</table>
Note: Campus elected to reduce deductible from $500,000 to $250,000, at an annual cost of $187,000, effective 07/01/2017.
Annual Insurance Cost Update

Actual Liability Claims Costs Paid by FY

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/13</td>
<td>$500,000</td>
</tr>
<tr>
<td>13/14</td>
<td>$300,000</td>
</tr>
<tr>
<td>14/15</td>
<td>$200,000</td>
</tr>
<tr>
<td>15/16</td>
<td>$400,000</td>
</tr>
<tr>
<td>16/17</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>17/18</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>
Annual Insurance Cost Update

Actual Liability Claims Costs with Ex-Mod

- 2014/2015: $530,000
- 2015/2016: $550,000
- 2016/2017: $440,000
- 2017/2018: $750,000
- 2018/2019: $1,390,000
- 2019/2020: $2,150,000
Claims Improvement Group

- Claim costs have been trending upward resulting in financial resources being allocated away from initiatives that support SF State’s mission.
- Identification and implementation of risk mitigation strategies is imperative to managing our claims experience.
- Claims arise from the operations and personnel of every cabinet area. Thus, input and support from leadership across all cabinet areas is essential to achieving our long-term goal of reducing the frequency and severity of claims.
Campus Safety Day
Monday, September 17th

Join us for a fun filled day of informational tables, safety-related activities, games and prizes in the main Quad!

Gain:
• Hands-on Fire Extinguisher Training
• Heimlich Maneuver Training
• Basic First Aid Training
• Information about:
  • Emergency Planning
  • Campus Safety
  • Earthquake Preparedness
  • And more!

Campus Safety Week Events:
All week long: September 17th – 21st

Training/Discussion Topics Include:
• Sexual Harassment Prevention
• First Aid, CPR, AED Training
• How to Help a Friend in Distress
• Careers in Law Enforcement
• Active Threat Training
• Stress Reduction & Healthy Computing
• International Travel Safety
• Safeguarding Fine Arts
• Service & Assistance Animals
• Mental Health Effects of Social Media
• Information Security
• And more!
2018 ARC Committee Schedule

Thursdays, 1 pm – 2 pm on:

October 25th
December 13th