



LSU
Office of
Internal Audit

Fraud, Risks, and Controls- Oh My!



What is Fraud?

- A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment.¹
- Internal (occupational) and external
- How fraud is committed
 - Corruption
 - Bribery
 - Conflicts of interest
 - Asset misappropriation
 - Theft of cash
 - Fraudulent disbursements
 - Inventory and assets
 - Financial statement fraud



Higher Education

Examples

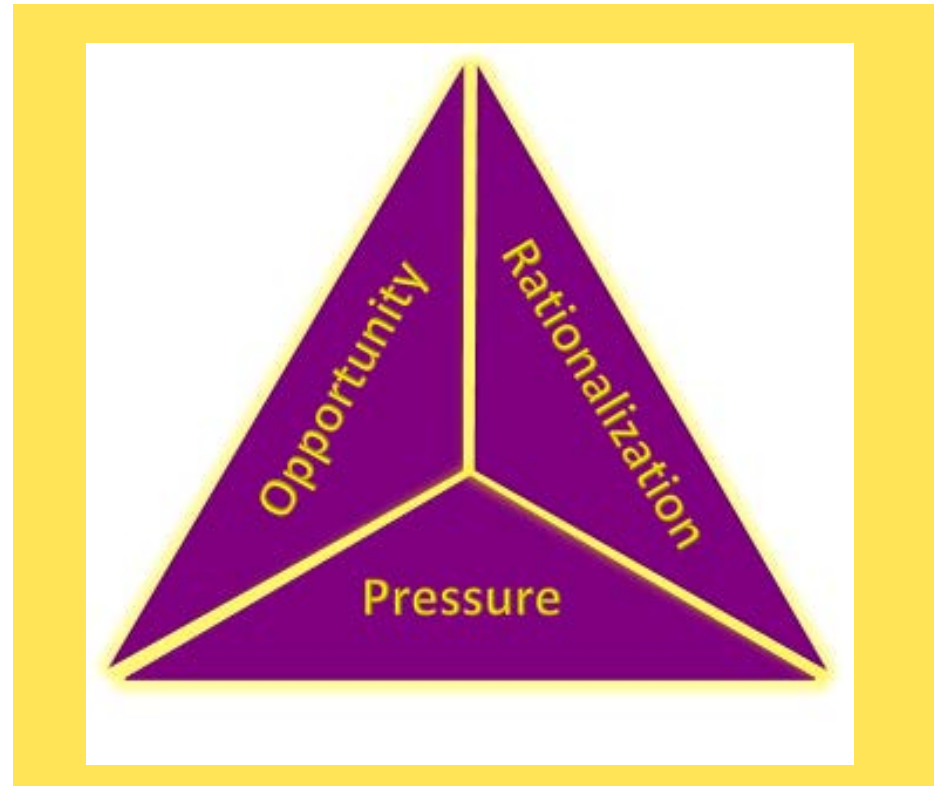
- ❑ UNC Chapel Hill – student athlete academic scandal
- ❑ Vassar College – \$2 million stolen by fictitious company
- ❑ Stanford Medical School – paid promotional speeches
- ❑ Iona College – \$850,000 from personal purchases and false expenses
- ❑ LSU is not immune!

Fraud Facts²

- 5% of revenues in a given year lost to fraud
- LSU represented in 3 of the top 5 victim industries
 - ❖ Government and public administration (11%)
 - ❖ Healthcare (7%)
 - ❖ Education (6%)
- Most common methods of concealment were creating and altering physical documents
- Lack of internal controls cited in 29% of cases and override of existing controls contributed to over 20%.

(Y)our Role

- ✓ Training
- ✓ Management review
- ✓ Security of assets
- ✓ Account reconciliation
- ✓ Segregation of duties
- ✓ Audits
- ✓ Fraud hotline
- ✓ PM-76



The Fraud Triangle

Internal Audit

- Independent and objective
- Add value through collaboration
- Evaluate risk and assess controls
- Types of engagements:
 - Compliance
 - Operational
 - Consultations
 - Investigations



Audit Process

- Risk assessment
- Prelim research
- Interviews
- Testing and analytics
- Discuss findings
- Corrective action



Contact Info

- Chad Brackin, Chief Auditor
 - 578-5475 / cmb@lsu.edu
- Sammy Wyatt, Director of Investigations
 - 578-5473 / swyatt@lsu.edu
- Fraud Hotline
 - 855-561-4099
 - www.lsu.ethicspoint.com
- Other Info / Staff
 - <http://www.lsu.edu/administration/internal-audit/>