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# Rise to Excellence

From the division of  
Administrative Services

## Maintaining ethical citizenship and stewardship

### Issue #2 - Fall 2012



*Fresno State is a minority-serving institution and a federally designated Hispanic-Serving Institution, reflecting the rich diversity of Central California.*



### Is your department at risk for fraud?

University employees are the life blood of an organization. While the best among us inspire trust and confidence, the worst ones can hamper a university through willful malfeasance.

The challenge is identifying employees likely to commit fraud, putting safeguards in place to prevent it, and having policies that regularly seek to determine whether fraud has been committed. Every university department can implement strategies that will protect their assets – and maintain positive relationships with the employees who help run the campus.

Perhaps the most seminal work on occupational fraud and abuse comes from the Association of Certified Fraud Examiners. The industry group in Austin, Texas, created the standard for anti-fraud research in 1996 with its first “Report to the Nations on Occupational Fraud and Abuse.” Its 2010 report studied 1,843 cases of worldwide occupational fraud that occurred between January 2008 and December 2009.

One reason the report is so well-respected is the eye-opening data it contains. For example, survey participants say the typical business loses 5 percent of its annual revenue to fraud. This fraud, which lasts a median of 18 months before being noticed, usually costs a company \$160,000. About 25 percent of cases involved losses of more than \$1 million.

The ACFE reports that most cases are asset misappropriation schemes. These are defined as situations in which the perpetrator steals or misuses the university’s assets. This can range from skimming cash receipts to falsifying refunds or expense reports to forging or stealing university checks.

These incidents start small, with one stolen check or office supplies, said Zana Tomich, an attorney with the Bloomfield Hills, Mich., firm of Dalton, Tomich, Pensler PLC.

“It often begins with the intention of paying it back. Then, it becomes greater and greater. It becomes almost a cycle where they are reliant on it,” Tomich said. “That leads to a second mindset: They feel a sense of entitlement to

#### INSIDE THIS ISSUE:

- Is your department at risk for fraud?
- Conflict of interest policy
- Cash handling policy

#### Plan for Excellence IV CORE VALUES

Student success that leads to lifelong learning and rewarding careers.

Respect for difference.

Solutions-oriented engagement with Central California challenges.

Ethical citizenship and stewardship.

Responsible and open inquiry, dialogue, and expression.

Integrity-based leadership.

this money or whatever they're taking or doing."

The most common industries attacked are banking/financial services, manufacturing and government/higher education. Those who commit fraud tend to be first-time offenders, so a criminal check typically will not find any history of this behavior. Many will display warning signs, such as living beyond their means or admitting they are experiencing financial difficulties. Tomich said her firm also has noticed a long-term trend of perpetrators addicted to gambling, which creates large debts.

### **So how do you identify fraud or theft if it has occurred?**

One of the most effective methods is empowering employees through a tip system, Tomich said. Having a hotline for employees to call if they have suspicions of fraudulent activity is extremely effective in catching and stopping theft. These lines should allow employees to leave anonymous tips and provide confidentiality for those who step forward.

"There are good people in organizations, and they put a lot of hard work into a company," Tomich said. "They don't want to see it taken advantage of by an embezzler, and that's why these reporting systems work."

"Universities that hold educational seminars on fraud and its long-term effect also help prevent occupational fraud," DiBardino said. "Training should focus on fraud definitions, the impact of fraud on the university's budget, and how to report suspicious activity. Universities should encourage a culture of ethics and accountability," he said.

"I tell employees, 'They're stealing from your future. The first people to go out the door are not the top people. Stand up and take some action,'" he said.

– adapted from 'How to know who is likely to commit fraud' by Karen Dybis, which first appeared in the *Fraud Matters Newsletter* of CP America (reprinted with permission)

## **Conflict of interest policy**

Fresno State follows strict institutional guidelines to ensure that any personal, financial, academic, and administrative conflicts of interest are duly reported and handled. Please click [here](#) or call Human Resources at 559.278.2032 to learn more.



## **Cash handling policy**

This past fall, the University Controller and Accounting Services began informing our campus community about the written cash handling policy. The procedures for handling cash and deposits were previously in place, so no changes have been made to these steps. However, formalizing the policy in

writing clearly explains and clarifies the process, roles, and expectations.

### Who should know about these procedures?

Any state or auxiliary employee who handles change funds, petty cash funds, collections, reimbursements, or advances of state funds. Also, any state employee who handles auxiliary funds and/or third-party funds is required to follow this policy.

The policy outlines how frequently cash, checks, and money orders should be deposited. It addresses other safeguards, such as the use of vaults, safes or other lockable receptacles for securing deposits and cash on hand.

Other areas covered in the policy include the requirements for checks and money orders (such as how checks must be made out to the university for payment) and the processing of credit card charges and receipts.

The full cash handling policy, along with frequently asked questions, can be found [here](#).

If you have any other questions, you can call the University Controller, Anthony R. Forestiere, at **559.278.6820**.



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Rise to Excellence is a quarterly publication of the Division of Administrative Services highlighting our efforts outlined in the Strategic Plan for Excellence IV.