Fraud Awareness Training

How to be a Fraud Fighter at Volusia County

What is fraud?

Fraud is deliberately committed by employees who intentionally exploit weaknesses in controls either because they are under duress or for personal gain.

Organizations lose approximately 5% of their revenues annually to fraud. In 2022, the median loss per fraud was $117,000. Occupational fraud is felt not just in revenue loss, but also in the County's ability to:

* provide services to citizens
* loss of trust
* potential loss in grants, and
* a breakdown in teamwork

Fraud categories

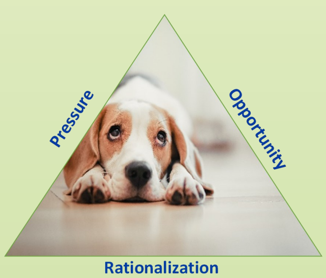
Fraud schemes broadly fit into 3 main categories:

Asset misappropriation is when the employee steals or misuses assets. Examples include skimming payments received from customers, intercepting outgoing vendor payments, and overstating reimbursable expenses.

Corruption involves a fraudster wrongfully using their influence in a business transaction to obtain a personal benefit or benefit for another person. Examples include failing to disclose conflicts of interest, accepting illegal gratuities and paying bribes for favorable business decisions.

Financial statement fraud involves the intentional misreporting of an organization's financial information with the intent to mislead investors, debtors, or government authorities. Examples include creating fictitious revenues and concealing liabilities or expenses.

Fraud Triangle



Pressure is a non-shareable problem-typically financial in nature – that drives a person to commit fraud. Examples include personal vices, personal debts, peer, or family pressure. The fraudster might believe fraud is the only solution for a variety of reasons such as shame, pride or a desire to prove oneself.

An employee must perceive that they have the **opportunity** to execute their scheme successfully. This opportunity could present itself as a lack of anti-fraud controls, like having no separation of duties or lack of management review.

Fraudsters use **rationalization** to justify their behavior and to maintain a positive image of themselves. People are often unwilling to view their behavior as bad or morally questionable. To keep a positive self-image, offenders rationalize their fraudulent actions in a variety of ways. They may rationalize the fraud as it's only a loan or that they deserved a promotion.

Preventing fraud is not just the responsibility of management, County Council, or the audit team. Everyone has a role to play.
Help the County protect its finances—and its reputation– from harm.

Report a concern:
386-822-5056 or jpedwards@volusia.org

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Who commits fraud?

Fraud can be committed by anyone, making it important for all employees to be aware and observant of behavioral red flags that might indicate a potential fraudster. However, it is important to note that sometimes these indicators also apply to honest people, **so their presence alone does not mean someone is committing fraud**.

What are the behavioral red flags of fraud?

- Living beyond means
- Financial difficulties
- Close personal relationship with customers or vendors
- Control issues or an unwillingness to share duties
- Irritability, suspiciousness or defensiveness
- "Wheeler-dealer" attitude
- Bullying or intimidation
- Excessive pressure from within an organization
- Refusal to take vacations

Common issues identified in local government frauds include:

Approved PO's and invoices	Unclear policies
No secondary review	Lack of oversight
No reconciliations	Lack of reasonableness check
No formal reporting process	Supervisor controlled all
Falsified invoices	Customers knew & didn't tell

What can be done to prevent fraud?

To effectively manage fraud risk, the supervisor should:

1) Identify possible fraud schemes (not just financial related) in their activity unit
2) Assess the existence and effectiveness of controls to prevent and detect the schemes identified
3) Design and implement fraud-focused control activities to address residual fraud risk
4) Communicate the process to users and employees
5) Develop and perform ongoing evaluations of activities

The 3 primary internal control weaknesses that contribute to occupational fraud are:

* Lack of internal controls
* Override of existing controls
* Lack of management review

The control deficiencies are roughly the same whether the fraud was conducted by an employee or manager.

Be alert to potential fraud and educate your colleagues on how they can be fraud fighters too

Visit our website for more info: https://www.volusia.org/government/internal-auditor

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