



Fraud in Higher Education in a Post-Pandemic World



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In 2022, Katja accepted a position as Principal, Public Sector, Audit, Risk & Compliance with Diligent, formerly Galvanize and ACL. Previously, Katja was with the Auditor's Office at the City and County of Denver for 10 years, one of the largest local government auditing shops in the country, starting as Senior Auditor and getting progressively promoted to Audit Director. She also worked for almost three years for the Legislative Service Office of the State of Wyoming as a Performance Evaluator.

Katja has two master degrees in Political Science and Environmental Policy and got an audit analytics certificate from Rutgers University. She managed several performance, IT, and financial audit teams, as well as an audit analytics team. During her time with the City and County of Denver, Katja's teams won multiple awards by the Association of Local Government Auditors. Katja was also the Chair of the Professional Issues Committee dealing with auditing standards for the Association of Local Government Auditors.

Katja is now working with Diligent to use her extensive auditing knowledge in the public sector and apply it on a broader scale. The goal is to help public sector clients get support that is customized and appropriate for their audit, risk, and compliance work.



How is Fraud Affecting Higher Education in a Post-Pandemic World?

Katja Freeman, Principal Public Sector, Diligent

February 22, 2024

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Agenda

Overview of where fraud can be prevented, detected, and deterred in an organization

Do you have a comprehensive internal control framework and risk assessment in place to fight fraud? What does the risk profile look like for the departments you are auditing?

- Introduction
- Fraud in Higher Ed - what has changed?
- Analytics , Automation, Visualization
- Continuous Auditing and Continuous Monitoring
- ERM

Opportunity

Decentralized environment;
sensitive information;
different funding streams

Fraud Triangle

More people were impacted financially

Incentive

Rationalization

Opportunity

Decentralized environment;
sensitive information;
different funding streams

Fraud Triangle

More people were impacted financially

People don't appreciate me;
tuition is so high anyway etc.

Incentive

Rationalization

Polling Question No. 1

Have you increased your efforts in detecting fraud since the pandemic?

1. Yes
2. No
3. I don't know
4. We don't have problems with fraud

Impacts of Fraud

“The typical amount of revenue lost to fraud is reported at 5%¹” (in reference to occupational fraud)



Organization-Wide Effort

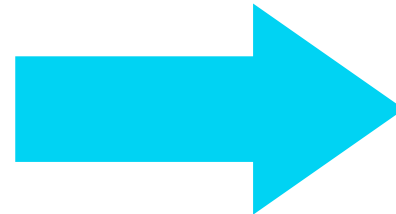
Prevention

&

Detection

&

Improvements



Admission Scandals in 2019

Actresses, Business Leaders and Other Wealthy Parents Charged in U.S. College Entry Fraud

 Share full article    4.5K



Fifty people in six states were accused by the Justice Department on Tuesday of taking part in a major college admission scandal. They include Hollywood actresses, business leaders and elite college coaches. Steven Senne/Associated Press

By [Jennifer Medina](#), [Katie Benner](#) and [Kate Taylor](#)

March 12, 2019

[阅读简体中文版](#) · [阅读繁体中文版](#)

A teenage girl who did not play soccer magically became a star soccer recruit at Yale. Cost to her parents: \$1.2 million.

A high school boy eager to enroll at the University of Southern California was falsely deemed to have a learning disability so he

Changes in Higher Ed since the Pandemic

More online options

Greater Reliance on Technology



Move to online and hybrid learning -> Required processes and infrastructure supporting online learning

Advantage: Allowed access to more students to access institutions that they could not have attended before

Disadvantage: Fraudsters and bots have taken advantage of an environment that is increasingly vulnerable to fraud

Higher reliance on technology increases vulnerability for incidences of fraud without the right controls

Changes in Higher Ed since the Pandemic

Cont.

Bot Activity



Allows for massive increase in outreach

- Short time on IP address
- Similar email patterns dissimilar from student name
- Consecutive ID numbers
- Similar pattern in length of sentences or paragraphs

Potential solutions:

- > Require proof of identity to create an account
- > Monitor website traffic for signs of bot activity

Polling Question No. 2

Has your institution increased the number of online classes since 2022?

1. Yes
2. No
3. I don't know

Unintended consequences

Application fees

DeseretNews



FACEBOOK



TWITTER

After eliminating application fees, SLCC was inundated with bots seeking fraudulent financial aid. Could it happen again?

Will Utah's state-supported colleges and universities face a similar onslaught now that the Utah System of Higher Education has eliminated application fees for all in-state students?

By Marjorie Cortez | Feb 2, 2024, 2:11pm MST



SHARE



Impersonating enrollees

Ghost Students



San Francisco Chronicle

Subscribe

Sign in

Thousands of 'ghost students' are applying to California colleges to steal financial aid. Here's how

Nobody knows how much money the fraudsters have managed to grab by impersonating enrollees.

By **Nanette Asimov**

Updated June 4, 2023 9:34 a.m.



Changes in Higher Ed since the Pandemic

Cont.

Impersonation of real students

Example: In the spring of 2022, the Salt Lake Community College received thousands of fraudulent applications. Likely attempts to receive federal Pell grants.

More sophisticated attackers are impersonating real students and apply for financial aid on their behalf.

- > More difficult to defend as a review is likely to find legitimate student data.
- > What can you do to prevent this from happening in the first place?

Use of data from real people or deceased individuals :

- Birth dates in the 60s and 70s; increase of alternative students
- Use of information from death certificates

Changes in Higher Ed since the Pandemic

Cont.

Theft of student information to commit fraud

- Vulnerabilities: weakness of university systems
 - Outdated technology makes it easier for hackers to attack
 - Update technology
 - Conduct regular vulnerability reviews
 - Add security measures such as multi-factor authentication
 - Example: Attacks are becoming more sophisticated with SQL attacks through online forms on a Higher Ed website that is meant to support students and is instead used by hackers.
 - Credential stuffing: Use of compromised user name and password combinations from other breaches to access accounts for financial gains or to access research data.
 - > Need for training on cybersecurity best practices for staff, faculty, and students

Changes in Higher Ed since the Pandemic

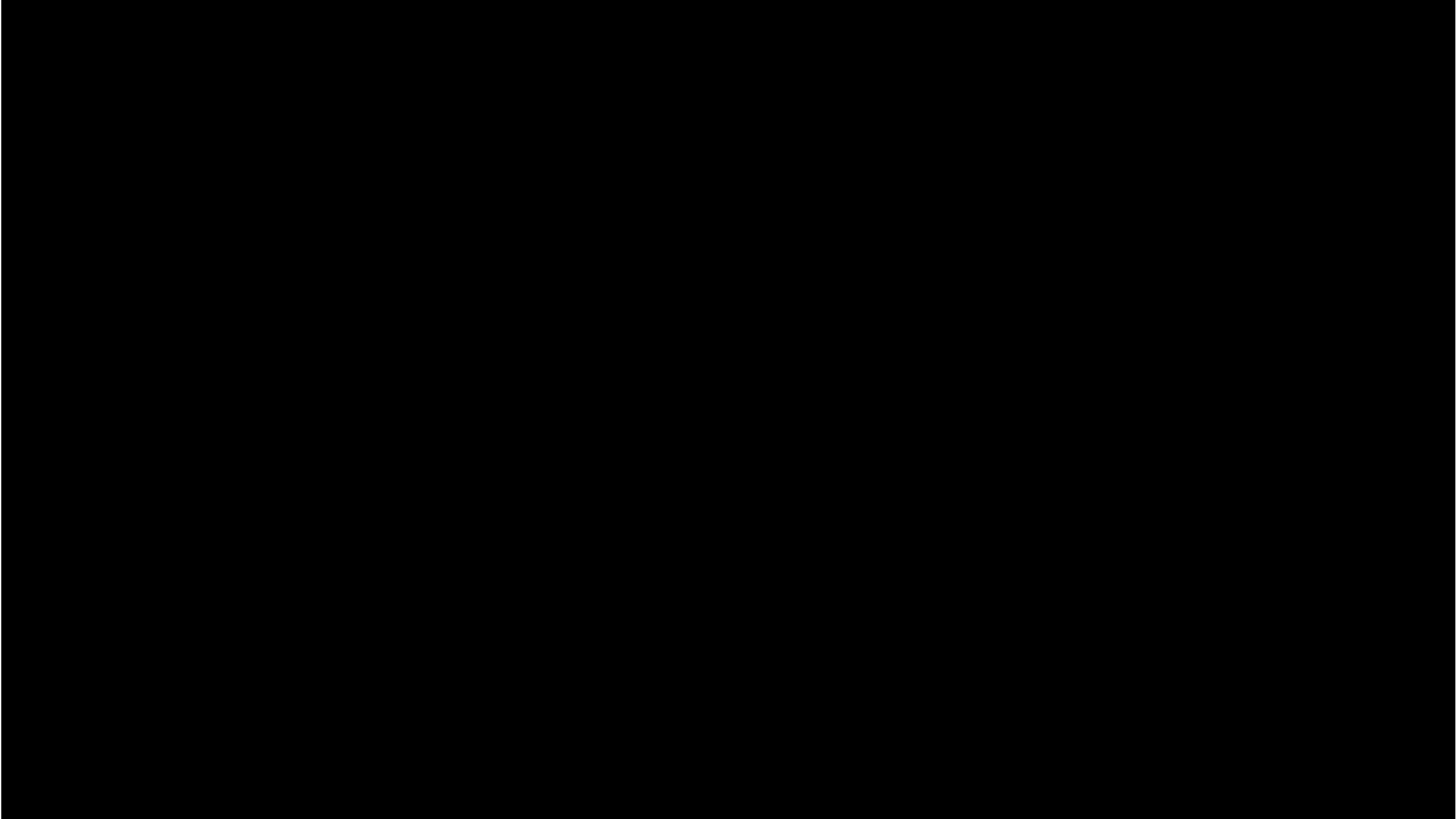
Cont.

FedRamp Authorization

Increase in cybersecurity attacks in Higher Ed

How can FedRAMP authorization potentially help?

See video on the next slide



Polling Question No. 3

Has student enrollment increased at your institution since 2022?

1. Yes
2. No
3. I don't know

What Data Can Do for You

"Proactive data monitoring was associated with 52% lower losses and frauds detected in half the time.¹"



- Review 100% of data for indicators of fraud
- Automate tasks to increase resource capacity
- Quickly respond to identified fraud real time

Types of Analysis Testing



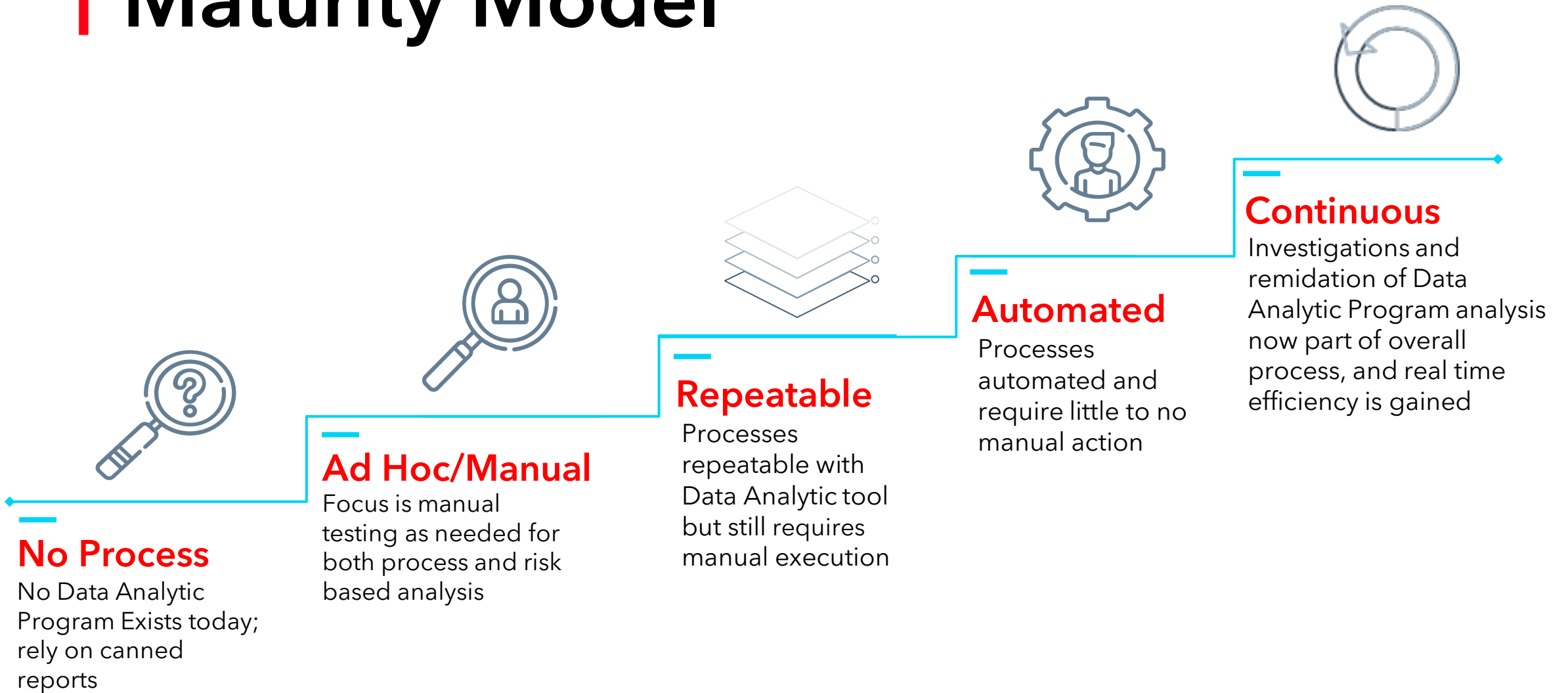
Ad Hoc/Sampling:

- Manual
- Time Consuming
- Element of Human Error

Continuous:

- 100% Coverage
- Real time notifications
- Quickly covers large volumes of data

Maturity Model



Continuous Monitoring/ Risk Review vs. Continuous Auditing

Continuous monitoring and auditing are extremely important to identify and protect against fraud.

-> Monitoring transactions and looking for anomalies.

Monitor and review risk not once a year but continuously. Can be linked to a risk assessment; that review needs to be done regularly to understand the changing risk environment.

Continuously audit data from recommendations to see if the remediation was successful. Test the controls.



Set Parameters

- Easy for non-technical users to use
- Enter analytic parameters
- Set required and optional parameters
- Easy to track which parameters were set and to replicate analytics

The screenshot shows the 'Task Designer' interface with the 'Test Run' tab selected. The main area is titled 'Select your scripts' and includes a 'Share passwords' toggle. Below this, there is an 'Activate all' toggle. The 'Analysis' section lists three tasks:

Task Name	Parameters
1 - Consolidates Tables	1 required
ANALYSIS PC01 Split Transactions	2 optional
ANALYSIS PC02 Single Vendors	2 optional, 1 required

Below the analysis tasks, there are two date input fields:

Enter the beginning date of the population or leave blank. [Date Picker]

Enter the ending date of the population or leave blank. [Date Picker]

A warning icon indicates a required parameter: "The number of vendor purchases through a single cardholder threshold" [Input Field]

At the bottom right, there are 'Continue' and 'Skip to end' buttons.

Reporting Results

Results / Your first collection
2 - Weekend Access Monitoring

Priority	Status	Accessdatetime	Accesspoint	C dayofweek	Duration mins	Empdept	Employee email	Empname	Empno	Facility	Manager
High	Open	Aug 22, 2015 4:21:12 AM	W1	Saturday	33	Finances	danielle_cotton@example.com	Danielle Cotton	00060115	DV1	Greg O'Donnell
High	Open	Aug 22, 2015 4:21:12 AM	W1	Saturday	178	Payroll	selma_palmer@example.com	Selma Palmer	00060117	DV1	Cory Burns
Low	Open	Aug 22, 2015 4:21:17 AM	N2	Saturday	53	Finances	keegan_douglas@example.com	Keegan Douglas	00060999	DV1	Greg O'Donnell
High	Open	Aug 22, 2015 4:21:26 AM	W1	Saturday	173	Sales and Marketing	ronan_george@example.com	Ronan George	00061106	DV1	Salvatore Fernandes
Low	Open	Aug 22, 2015 4:21:36 AM	W2	Saturday	107	Legal Department	sylvia_lawson@example.com	Sylvia Lawson	00061119	DV1	Taylor Sanderson
High	Open	Aug 22, 2015 4:21:38 AM	W1	Saturday	35	Research and Develo	rhea_sharpe@example.com	Rhea Sharpe	00061125	DV1	Kennedy Dupree
Low	Open	Aug 22, 2015 4:21:59 AM	N2	Saturday	133	Legal Department	oprah_hess@example.com	Oprah Hess	00065002	DV1	Taylor Sanderson
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	45	Public Relations	berk_finley@example.com	Berk Finley	00070012	DV1	Jerry Chen
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	3	Customer Service	stacey_edwards@example.com	Stacey Edwards	00070015	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	56	Advertising	veda_buck@example.com	Veda Buck	00070016	DV1	Josh Wood
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	41	Accounting	stone_kim@example.com	Stone Kim	00070019	DV1	Barbara Trites
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	48	Customer Service	meghan_payne@example.com	Meghan Payne	00070021	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	60	Sales and Marketing	shelly_pierce@example.com	Shelly Pierce	00070025	DV1	Salvatore Fernandes
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	147	Customer Service	macaulay_scott@example.com	Macaulay Scott	00070027	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	54	Human Resources	paki_klein@example.com	Paki Klein	00070029	DV1	Sebastian Kemp
Low	Open	Aug 22, 2015 4:22:06 AM	N2	Saturday	58	Tech Support	piiper_hart@example.com	Piper Hart	00070040	DV1	Nathan Samuels
Low	Open	Aug 22, 2015 4:22:12 AM	N2	Saturday	28	Human Resources	cassandra_gutierrez@exampl...	Cassandra Gutierrez	00070041	DV1	Sebastian Kemp
Low	Open	Aug 22, 2015 4:22:12 AM	N2	Saturday	152	Human Resources	devin_garza@example.com	Devin Garza	00070042	DV1	Sebastian Kemp
Low	Open	Aug 22, 2015 4:22:12 AM	N2	Saturday	41	Customer Service	quintessa_black@example.com	Quintessa Black	00070045	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:22:19 AM	W2	Saturday	37	Research and Develo	rachel_nieves@example.com	Rachel Nieves	00070060	DV1	Kennedy Dupree
Low	Open	Aug 22, 2015 4:22:24 AM	N2	Saturday	59	Media Relations	fitzgerald_jordan@example.c...	Fitzgerald Jordan	00070099	DV1	Sam Papers
Low	Open	Aug 22, 2015 4:22:24 AM	N2	Saturday	45	Public Relations	brittanney_sallinas@example.c...	Brittanney Sallinas	00070100	DV1	Jerry Chen
Low	Open	Aug 22, 2015 4:22:24 AM	N2	Saturday	159	Customer Service	rowan_langley@example.com	Rowan Langley	00070101	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:22:24 AM	N2	Saturday	41	Public Relations	charde_edwards@example.co...	Charde Edwards	00070103	DV1	Jerry Chen
Low	Open	Aug 22, 2015 4:22:26 AM	E2	Saturday	32	Research and Develo	arthur_hayden@example.com	Arthur Hayden	00070132	DV1	Kennedy Dupree
Low	Open	Aug 22, 2015 4:22:26 AM	E2	Saturday	31	Quality Assurance	angela_miles@example.com	Angela Miles	00070139	DV1	Melissa Leung
Low	Open	Aug 22, 2015 4:22:26 AM	E2	Saturday	87	Research and Develo	hu_hull@example.com	Hu Hull	00070159	DV1	Kennedy Dupree
Low	Open	Aug 22, 2015 4:22:26 AM	E2	Saturday	25	Asset Management	giacomo_scott@example.com	Giacomo Scott	00070182	DV1	Mikayla Ipsey
Low	Open	Aug 22, 2015 4:22:26 AM	E2	Saturday	60	Tech Support	darrel_bender@example.com	Darrel Bender	00070200	DV1	Nathan Samuels
High	Open	Aug 22, 2015 4:22:26 AM	W1	Saturday	54	Customer Service	cally_bullock@example.com	Cally Bullock	00070203	DV1	Trevor Blumfield
Low	Open	Aug 22, 2015 4:23:19 AM	N2	Saturday	51	Customer Service	shaine_petersen@example.co...	Shaine Petersen	00070211	DV1	Trevor Blumfield

Process Results in the Platform

- Full audit trail of record changes and edits in the platform.
- Filter results and process records.
- Develop remediation processes & request additional information from stakeholders through integrated questionnaires.

Benefits

- ✓ Process your analytic results all in one place.
- ✓ Investigate exceptions and drill down deeper into the data.
- ✓ Integrated communication within a record for internal discussions

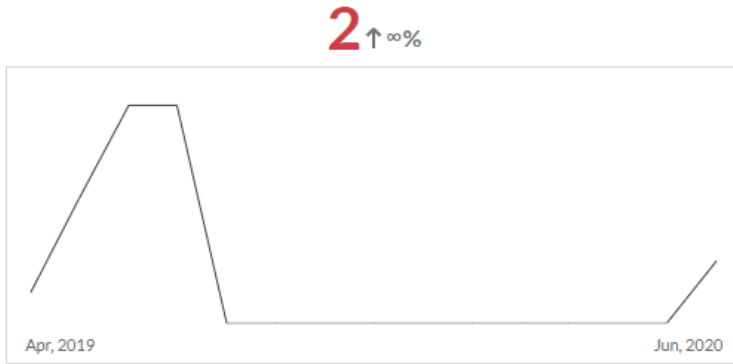
The screenshot displays the 'Duplicate Invoices' interface. At the top, there's a breadcrumb 'Results / Accounts Payable Analytics' and a title 'Duplicate Invoices'. Below this is a navigation bar with options: 'Table View', 'Duplicate Invoice S...', 'Table of Duplicate I...', and 'PIECHART'. The main area shows a 'Table of Duplicate Invoice Entries' with the following data:

Api company	#	Api base inv amt	Api inv currency	Api invoice id
LAX		11,787.75	USD	r24703
LAX		19,168.11	USD	3381
LAX		84,825	USD	5324
LAX		156,317.3	USD	09/23/03-09/29/03
MIA		23,868	USD	CC243KRA
SEA		18,205.2	USD	11190972
SFO		19,264.05	USD	02-03-1924
SFO		33,017.4	USD	636923
VAN		13,782.01	USD	11072003
VAN		21,249.82	USD	53057

On the right, a 'Process Records' sidebar is open, showing details for 'Record #2'. It includes fields for 'Data', 'Activity', 'Priority' (High), 'Status' (03 - In Review), 'Exception type' (Duplicate Invoices), 'Api company' (MIA), 'Ven vendor vname' (CORRECTIONS PATLOVANY LTD), 'Api invoice date' (Jul 17, 2016), and 'Api base inv amt' (23,868). At the bottom, there are dropdown menus for 'Status' (03 - In Review), 'Priority' (High), 'Workflow Group' (- Unassigned -), and 'Assignee' (Lucy Liu), along with 'Save', 'Send Questionnaire', and a trash icon.

Fraud Assessment

INCIDENT TRENDLINE KRI



Hotline Summary

The fraud hotline provides tips on activities that may be fraudulent in nature. Whether intentional or not. We've broken down Fraud into two categories, operational and financial, though the two categories are not mutually exclusive. In some cases there may be an observed incident or concern that presents an increased risk of fraud for processes that are both financial and

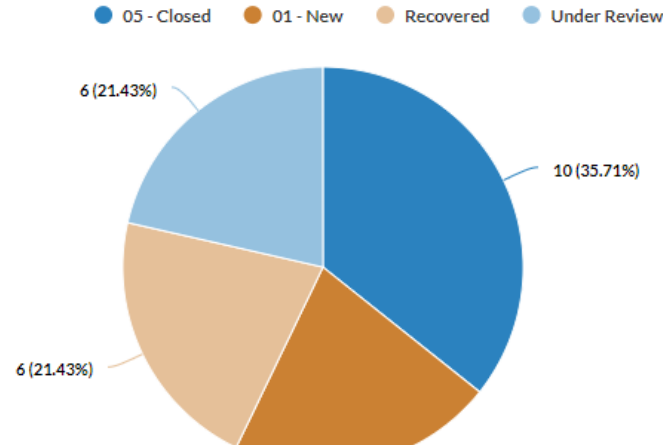
NUMBER OF CLOSED INCIDENTS KCI

0

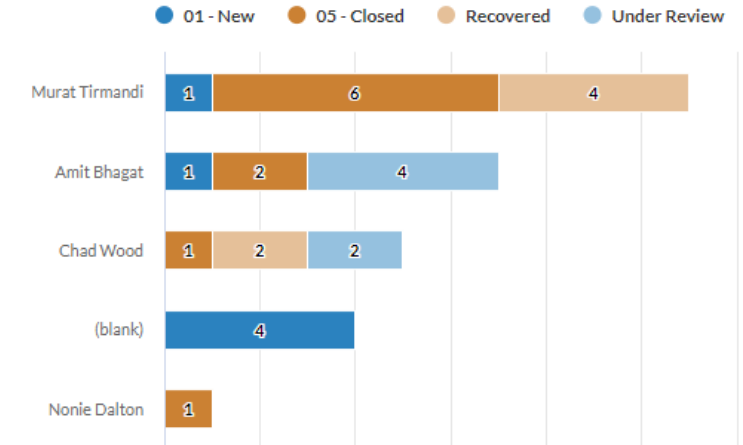
Investigations by the Numbers

As stewards of the people of Texas we take great pride in any reduction in reported incidents as we make constant improvement efforts to curb potential fraud like behaviors which is not possible without the public's participation in our Hotline Program. At the time an incident is reported a member of our fraud investigation team is assigned for inspection. Records with an open status indicate a record has been recently submitted and assigned. Under review means the investigation has concluded and a supervising manager is reviewing the

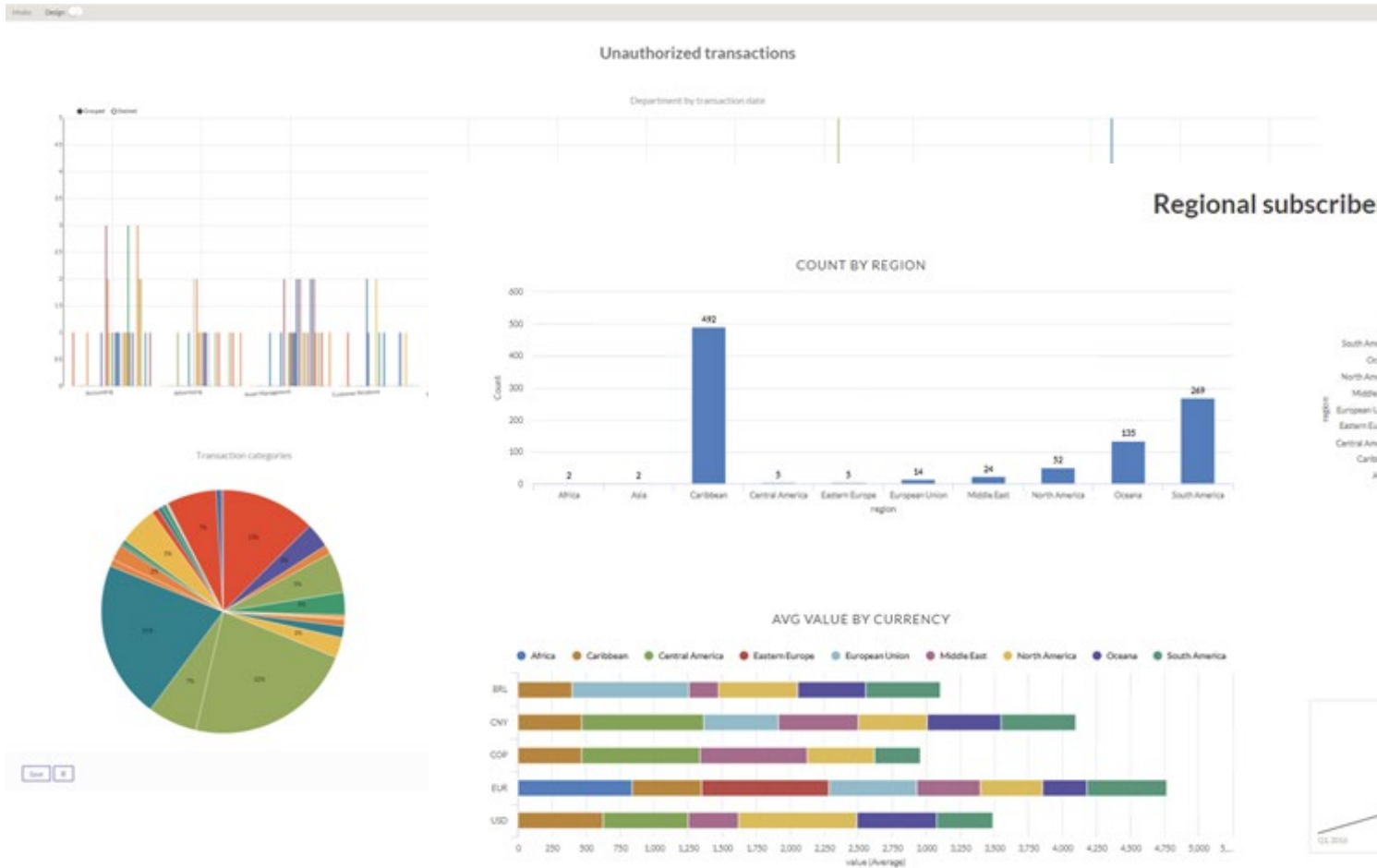
INCIDENT STATUS



ASSIGNED INCIDENTS BY ASSIGNEE AND STATUS



Example of Dashboard Reporting



Polling Question No. 4

Do you use analytics as part of your audit work?

1. Yes
2. No
3. I don't know

COSO

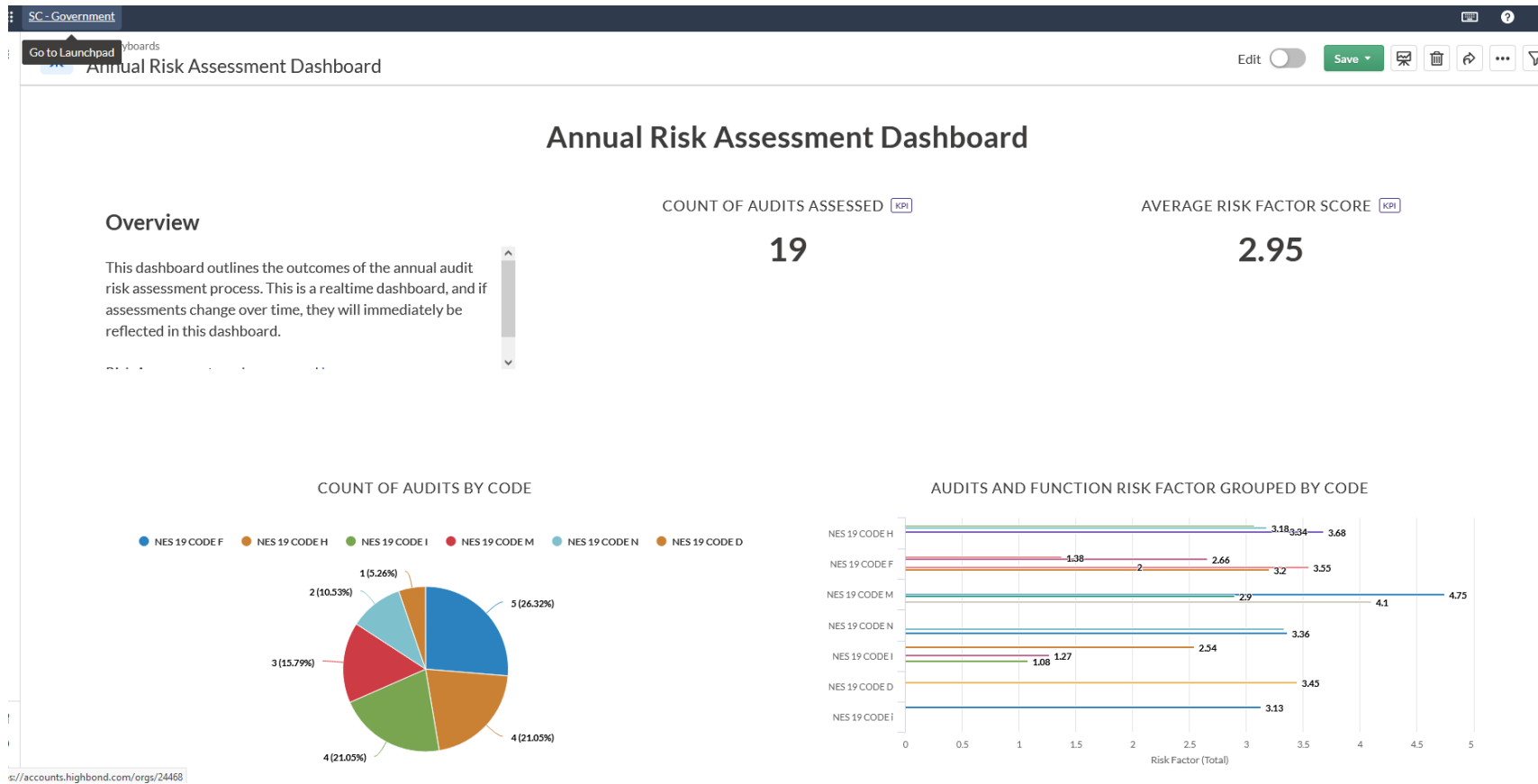
Principle 8

One of the risk assessment component principles states: “The organization considers the potential for fraud in assessing risks to the achievement of objectives.”

COSO Guidance: Fraud Risk Management Guide, 2nd Edition, 2023

Annual Risk Assessment Dashboard

Risk Scores and Risk Coverage across the Organization



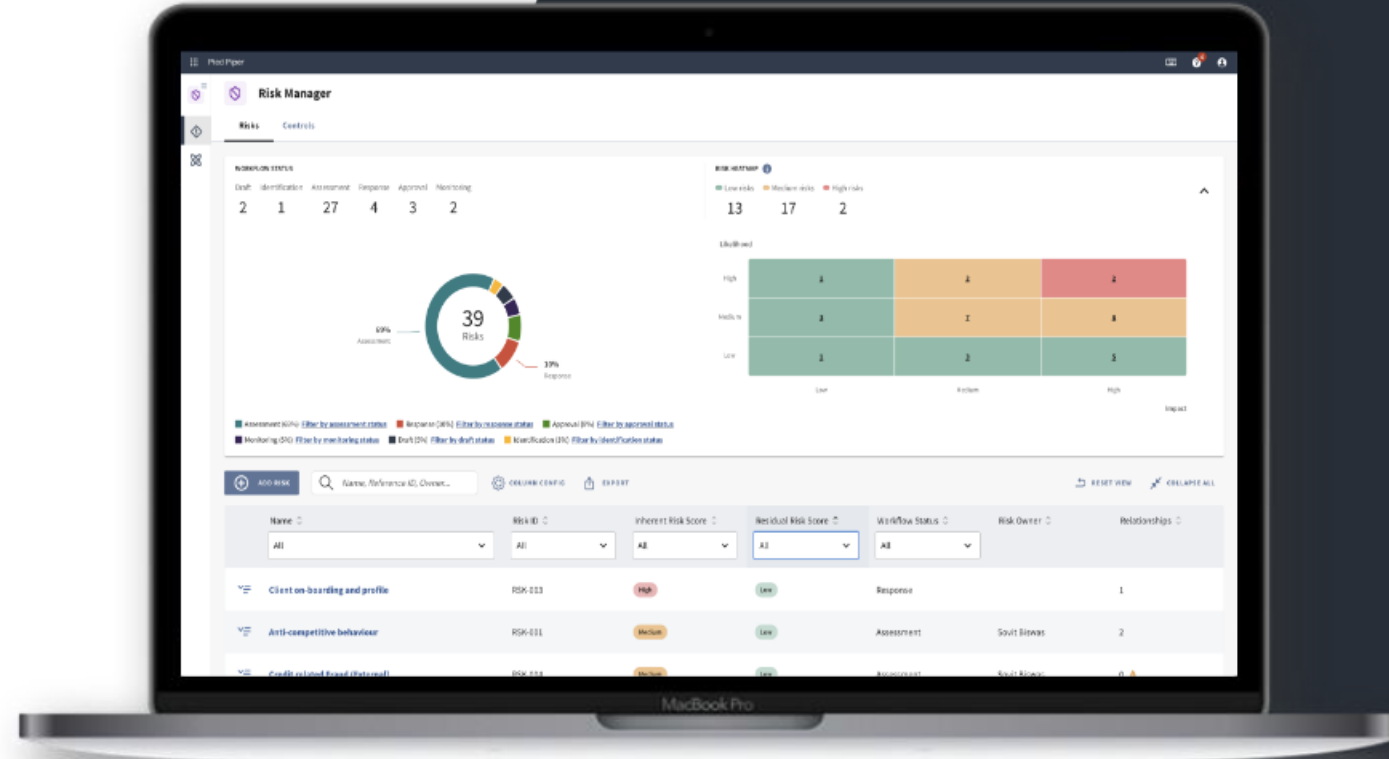
Centralize risk in one secure platform

Manage strategic and operational risk in a single source of truth

Enterprise Risk Management

Identify, assess and mitigate risk in a secure platform for increase efficiency, scalability and visibility for the C-suite and Board.

- Intuitive and user-friendly interface allows for easy navigation of platform and single view of risk
- Workflow automation allows for more efficient and effective risk assessments, including a best practice ISO 31000 risk management workflow
- Share a standardized dashboard of strategic risks to leadership and the board

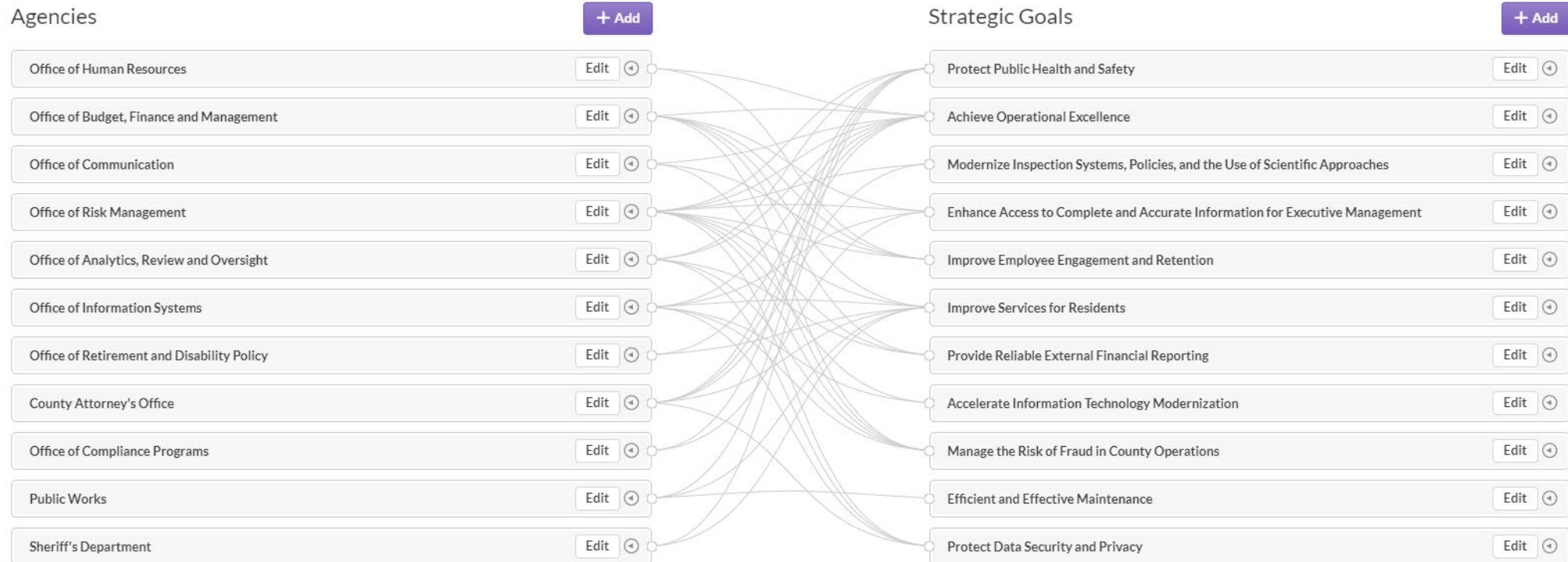


Map Operational Risks to Annual Risk Assessment and Possibly ERM Framework

Strategy

Risk Profile Heatmaps Strategy Map Risk Workshops Settings

Strategy Map



Changes in Higher Ed since the Pandemic

Cont.

Good practices

Conduct a fraud risk assessment - include planning step on fraud in each audit

Communicate with ERM program director and risk owners to understand their risk identification and mitigation efforts

Discuss fraud examples and best practices with other universities and colleges

Recommend multifactor authentication when possible to IT

Update technology

Use analytics and automation

Recommend regular cybersecurity training

Have a fraud hotline and formalize the process to report fraud, waste, and abuse



Stay in touch

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Thank you!





Questions?



Announcements

Upcoming ACUA Webinar

March 28th – Enrollment Management
To be presented by Baker Tilly



ACUA Spring Virtual Summit 2024

Tuesday, April 9, 2024 - Friday, April 12, 2024

Early bird registration ends February 29th, 2024, so act fast to ensure your place amongst your peers and the top minds in the internal auditing industry!

See the ACUA website for more details

www.ACUA.org



Stay Updated

- The College and University Auditor is ACUA's official journal. Current and past issues are posted on the ACUA website.
- News relevant to Higher Ed internal audit is posted on the front page. Articles are also archived for your reference under the Resources/ACUA News.

Solve Problems

- Discounts and special offers from ACUA's Strategic Partners
- Kick Starters
- Risk Dictionary
- Mentorship Program
- NCAA Guides
- Resource Library
- Internal Audit Awareness Tools
- Governmental Affairs Updates
- Survey Results
- Career Center.....and much more.

Get Involved

- The latest Volunteer openings are posted on the front page of the website.
- Visit the listing of Committee Chairs to learn about the various areas where you might participate.
- Nominate one of your colleagues for an ACUA annual award.
- Submit a conference proposal.
- Present a webinar.
- Become a Mentor
- Write an article for the C&U Auditor.
- Write a Kick Starter.

Connect with Colleagues

- Subscribe to one or more Forums on the Connect ACUA to obtain feedback and share your insights on topics of concern to higher education internal auditors.
- Search the Membership Directory to connect with your peers.
- Share, Like, Tweet & Connect on social media.

Get Educated

- Take advantage of the several FREE webinars held throughout the year.
- Attend one of ACUA conferences:
Audit Virtual Spring Summit
AuditCon (September 15-19)

Contact ACUA Faculty for training needs.



**Join us for
our upcoming
webinar.**

