We continue our look back at the events that transpired in higher education during 2014 as linked here in Case in Point. This month we focus on the Fraud & Ethics category. As an institution, ensuring we carry out our fiduciary responsibility for overseeing the funds entrusted to us has never been more important. When we look at this category from last year we see the following breakdown of stories linked:

- Occupational Fraud 50%
- Academic Fraud 17%
- Use of Funds 10%
- General Property Theft 8%
- False Reporting 5%
- Other Items 10%

Occupational fraud is the most frequent topic in this category as it has been for each year in our publication. Occupational Fraud refers to situations where an employee commits fraud against their employer. The Association of Certified Fraud Examiners issues a biennial report on occupational fraud where they examine trends on this topic. In their 2014 report, education remains the 5th most frequent industry for occupational fraud to occur as it has been since 2010. The Association of Certified Fraud Examiners report noted that within the industry of education as a whole, the top three types of occupational fraud were: 1. Corruption Schemes, 2. Billing Fraud, and 3. Expense Reimbursement Fraud.

Corruption Schemes would involve items such as conflicts of interest where an employee took advantage of a particular situation for personal gain. It frequently involves items such as competitive bids and related issues. It is important to note that virtually every corruption scheme begins with a conflict of interest. However, merely having a conflict of interest does not mean an employee has done anything wrong; it simply means there are competing personal and institutional interests. Conflicts can be managed to protect the employee and institution and it is more important than ever that we are proactive in this area.

Academic Fraud, in our classification, consisted of a variety of issues from professors and employees falsifying academic credentials, to classroom cheating, to courses that did not appear to meet an institution's academic requirements. This is certainly a category that can have a substantial impact on reputational risk.

Use of Funds is another important topic and one that appears to be growing in terms of impact. With changes in technology, particularly social media, the scrutiny we operate under has never been greater. Just because some use of funds is technically legal, it does not mean that it is necessarily advisable in today's environment. Thinking proactively in terms of fiduciary responsibility can help avoid problems in how we use the funds entrusted to us.

False Reporting is another category that seems to be growing in importance. The data and reporting we provide to outside organizations, agencies, and the public should be accurate and truly reflective of reality. Even knowing who is officially making such representation can be difficult in our decentralized organization; however, it is something that deserves attention as several schools learned during the past year.

We again invite you to review the stories across higher education and consider whether you have any specific risks that deserve proactive attention within your sphere of influence.

M. Kevin Robinson, CIA, CFE, CCEP
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Information Security & Technology Events

Apr. 29, 2015: Officials are investigating a security and privacy breach affecting 900 patients who were treated at the Los Angeles County-USC Medical Center's mental health facility. The breach was discovered April 3 during a search of the home of a nurse who was employed at the Augustus F. Hawkins Mental Health Center, said Michael Wilson, a spokesman for the Los Angeles County Department of Health Services. (link)

Apr. 28, 2015: For at least the third time this semester, Rutgers' internet is on the blink due to a potential hack attack. It's causing not just outages in Internet, but also in internet-based programs that are usually accessible off campus. (link)

Apr. 6, 2015: UC Riverside officials are notifying 8,000 graduate students and graduate applicants that their personal identity information is at risk. A desk-top computer stolen during a break-in at the campus' graduate division offices March 13, contained the Social Security numbers of the students and potential students. (link)

Apr. 3, 2015: Auburn University is investigating a data security incident that could have exposed the personal information of about 370,000 current, former and prospective students. The university said in a statement today that it learned on March 2 that some information stored on one of the university's servers mistakenly became accessible online. (link)

Apr. 1, 2015: An investigation by the FBI and IRS is on-going at Bradley University. The data of thousands of employees and their families are at risk. Bradley University officials say investigators found malware on two university computers. Those computers had access to personal information for about 4700 current and former employees and potentially their families. (link)

Mar. 31, 2015: More than 200 University of Iowa employees this spring reportedly have become victims of tax fraud. But officials say they have no reason to believe the cases are the result of a UI data breach. Human resources and information technology experts are trying to determine what the targeted employees might have in common in hopes of identifying the source of the fraud. (link)

Fraud & Ethics Related Events

Apr. 29, 2015: A man was arrested and charged with grand theft after allegedly stealing money from Gulf Coast State College. John Michael Dwyer, the director of the Criminal Justice Selection Center at the school, was charged after admitting to taking $1,435 in funds paid to the college by students. (link)

Apr. 27, 2015: One of the University of Arizona's longest-serving professors has been indicted by a grand jury on suspicion of defrauding the school. John A. Marchello, 78, faces prosecution on 10 felony counts after money was misappropriated from a student-run meat store he oversaw on Tucson's north side, court records show. Marchello, a tenured professor of animal sciences who has worked at UA for nearly 50 years, was indicted on one count of theft of property or services over $25,000; one count of fraudulent schemes; one count of computer tampering and seven counts of forgery. (link)

Apr. 23, 2015: The University of Phoenix has admitted to misleading a Wisconsin student enrolled in the university's Bachelor of Science and Human Services online degree program. Penny Schoenke, a single-mom from Menasha, Wis., says she enrolled in the program after academic counselors told her the degree was basically the same thing as a degree in social work with some "minute differences." A FOX6 investigation prompted university officials to review phone calls and emails with the student. After completing that review, university officials wrote Schoenke an email, detailing concerns that university representatives had "inappropriately characterized likely career outcomes." (link)

Apr. 21, 2015: Prosecutors say a former Emory University employee at the School of Nursing is facing federal wire fraud charges after she diverted about $317,000 in student fees and tuition to her own account. The crime affected nearly 200 students attending the nursing school, according to University officials. (link)

Apr. 16, 2015: Nationwide, about 68% of undergraduates and 43% of graduate students admit cheating on tests or written assignments, according to research by retired Rutgers business professor Donald L. McCabe and the International Center for Academic Integrity at Clemson University. (link)

Apr. 15, 2015: National tax day is nearly here, and the number of employees at Iowa's public universities reporting some form of tax fraud has reached about 400. That total includes a possible 337 University of Iowa employees who discovered some form of tax...
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fraud after trying to file their returns and finding "a criminal beat them to it," according to UI officials. Iowa State University has received reports of tax fraud concerns from more than 60 employees. (link)

Apr. 14, 2015: A former College of DuPage radio engineer accused of stealing more than $200,000 from the school's radio station, WDCC, pleaded not guilty to a dozen charges Monday, according to DuPage County State's Attorney's Office spokesman Paul Darrah. (link)

Apr. 2, 2105: A Lynn University student is accused of stealing two computers and two iPads from the school's library and pawning them for cash, police said. Police said they got a call on March 27 from a school employee about two computers that had gone missing from the library. (link)

Compliance/ Regulatory & Legal Events

Apr. 25, 2015: It took a jury just over two hours to find three former band members at Florida A&M University guilty of manslaughter and felony hazing in the death of a drum major. (link)

Apr. 21, 2015: A million-dollar full-ride scholarship endowment to an Ivy League school is a good deed. But it doesn't just earn you karma—it nets you fawning emails from the school's development officials, customized campus tours for your kids, and private meetings with the school's president, leaked Sony emails show. (link)

Apr. 21, 2015: They may not know it, and they most certainly will not be in attendance, but Hercules and Leo will have their day in court. A judge in Manhattan has ordered a hearing that will touch upon the continuing debate over whether caged chimpanzees can be considered "legal persons," in the eyes of the law, and thus sue, with human help, for their freedom. (link)

Apr. 20, 2015: Penn State is being sued by several of its own trustees. On Monday, a lawsuit was filed in Centre County court by alumni-elected trustees who say they need access to the Freeh report documents to do their job, making decisions about the university's major issues. (link)

Apr. 6, 2015: The fraternity at the center of a now-discredited Rolling Stone rape article says the story was defamatory and reckless and they are pursuing legal action against the magazine. Phi Kappa Psi said in a statement that the article was viewed by millions, led to members being ostracized and there was vandalism of the fraternity house. (link)

Apr. 4, 2015: A long-running patent fight between Carnegie Mellon University and a Bermuda-based chip manufacturer moves to a federal appeals court in Washington on Tuesday when both sides will argue over whether the court should uphold a $1.54 billion verdict in the university's favor. (link)

Apr. 3, 2015: A federal judge has dismissed a lawsuit by Seamus Johnston, a transgender man who was expelled from the University of Pittsburgh at Johnstown in 2012 in a dispute over his use of men's bathrooms and locker rooms. The judge rejected the idea that a transgender man who has not been recognized by legal authorities as having completed a gender transition could claim protection based on transgender status under federal anti-bias statutes. (link)

Apr. 3, 2015: The program administrator at the Bridgewater State University childcare center was suspended after a student intern is accused of raping two boys. (link)

Apr. 1, 2015: Nearly 800 former research subjects and their families filed a billion-dollar lawsuit Wednesday against the Johns Hopkins University, blaming the institution for its role in 1940s government experiments in Guatemala that infected hundreds with syphilis, gonorrhea and other sexually transmitted diseases. The lawsuit seeks to hold Hopkins responsible for the experiments because its doctors held key roles on panels that reviewed and approved federal spending on the experiments. (link)

Campus Life & Safety Events

Apr. 28, 2015: Texas A&M-Galveston Prof. Irwin Horwitz, has shaped many young minds in his 20 years of teaching at the university level. But this semester Professor Horwitz found himself doing something he has never done in his two decades in higher education: Failing his entire Strategic Management class, according to KPRC-TV Channel 2 in Houston. (link)
April 27, 2015: Stanford University is investigating a series of hate-fueled graffiti, including swastikas, found at student housing units and a fraternity house on campus. Swastikas and anarchy symbols were spray-painted early Sunday at the BOB house for students transitioning out of dorm life, Sigma Alpha Epsilon fraternity and Casa Italiana, an Italian language and culture-focused academic house, according to university spokeswoman Lisa Lapin. (link)

April 24, 2015: The University of Florida suspended one of its fraternities on Friday after allegations that its members hurled drunken insults and spat at a group of disabled military veterans at a Panama City Beach resort. (link)

April 23, 2015: Louisiana State University officials have begun the process of filing for bankruptcy amid deep cuts in state funding for the school. The filing is a tactic that aims to ensure LSU’s survival but could mean canceling academic programs, laying off tenured teachers and raising tuition. The state legislature is still discussing the cuts to higher education and has 39 days left to decide on the extent of the reductions. But current proposals by lawmakers would see an 82 percent decrease in funding, according to LSU’s student newspaper, The Reveille. The university’s plan for cutting costs is also known as “financial exigency,” the business equivalent of filing personal bankruptcy. (link)

April 23, 2015: A study released Thursday by an independent economic analysis firm challenges the claim by University of Alabama-Birmingham officials that the football program had to be dropped for financial reasons, asserting that, in fact, the sport makes money for the university -- and that surpluses would grow in the coming years. The report comes in response to the move by the Conference USA school to shutter the sport on the grounds that it could no longer afford to financially support football, especially with schools moving to cover the full cost of attendance with athletic scholarships. UAB also eliminated rifle and bowling. (link)

April 21, 2015: About 800 University of Virginia staff members have less than two months to decide whether to take an incentivized retirement package. The university announced the package Tuesday offering nine months’ salary and a $9,000 health care subsidy to any qualified employee 55 or older who has logged at least 20 years of uninterrupted employment with the state. (link)

April 20, 2015: In the wake of increasing concern about sex attacks on American college campuses, California’s Stanford University is recommending expulsion for students who commit sexual assault. It’s an unusual position. Most university disciplinary panels consider a range of penalties, often suspension. (link)

April 19, 2015: An Air Force veteran with a controversial past has been banned from Valdosta State University after taking an American flag from demonstrators walking on it in protest. The veteran, Michelle Manhart, was detained --- but not arrested --- following the Friday incident in front of a library at the south Georgia college. She told the Valdosta Daily Times that she was upset not with the group’s protest, but with the way they were protesting. (link)

April 17, 2015: The University of Wisconsin-Madison will eliminate about 400 positions, most of them vacant, and will close or restructure several academic programs across campus over the next two years in response to anticipated state budget cuts, Chancellor Rebecca Blank announced on her blog Friday. (link)

April 16, 2015: Officials released no new details Thursday morning about a construction accident Wednesday on the University of South Dakota campus that left a man critically injured. An ironworker, described to be in his 30s, fell about 15 feet at 7:40 a.m. after his safety harness failed, according to the Vermillion Fire EMS Department. (link)

April 14, 2015: In order to prop up declining enrollment at some colleges and universities in Georgia, some institutions will now be allowed to offer in-state tuition prices to students from South Carolina. With this change, Georgia institutions hope to recruit South Carolina students to move south of the border and fill dormitories and classrooms at schools with dwindling numbers. (link)

April 13, 2015: Following reports of on-campus assaults this Fall, some University of Florida students have moved from traditional campus safety methods, like blue lights, to more modern resources. Jesse Pagan, a UF telecommunication senior, said he remembers learning about blue lights during preview. He has never used one, but he said he wouldn't hesitate to. “I thought it was pretty cool that you pick up the phone, and they know exactly where you are, but it’s weird to think that in four years I’ve never heard of anyone using it,” the 22-year-old said. (link)

April 13, 2015: A state higher-education commission passed sweeping reforms Thursday designed to fund public universities based partly on how many Oregonians they graduate,
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instead of the number they enroll. (link)

Apr. 13, 2015: Authorities continue to search for a former Wayne Community College student who is charged with murder in the Monday morning shooting death of a longtime employee on campus. Authorities said Kenneth Morgan Stancil III, 20, carried a long gun into the Wayne Learning Center shortly after 8 a.m., went to the third-floor print shop and fired a single shot, killing shop director Ron Lane. (link)

Apr. 10, 2015: Jon Hamm took part in a fraternity hazing in college so horrific that it led to eight arrests, including the actor's, and the fraternity chapter permanently closing, The Associated Press reports. The Mad Men star was a member of the Sigma Nu fraternity at the University of Texas in 1990 when he allegedly beat a pledge, set him on fire and used a hammer on his genitals during a violent hazing ritual, according a 1991 lawsuit that leaked earlier this week and was obtained by the AP. (link)

Apr. 6, 2015: Three students have come down with tuberculosis at Salisbury University, and the school is now asking about 385 students and staff members who may have come in contact with the infected students to get tested for the disease. Dr. James Cockey, the deputy health officer for Wicomico County, Md., where the 8,770-student university is located, said that testing has not yet determined whether the three students contracted tuberculosis from the same source. (link)

Apr. 4, 2015: The University of South Carolina has suspended a student for writing a racial slur on a study room whiteboard and will investigate the student for code of conduct violations, according to the school's president. (link)

Mar. 30, 2015: Three Bucknell University students have been expelled for using language that included a racial slur on a campus radio station broadcast. The expulsions are permanent and the three will not be permitted to return to Bucknell in the future, spokesman Andy Hirsch said Monday. (link)

Other News & Events

Apr. 14, 2015: A Nelly concert scheduled for next week at Missouri State University has been canceled days after he was arrested in Tennessee on suspicion of drug possession. Missouri State officials announced the cancellation Tuesday in a statement but did not give a reason. (link)

Apr. 3, 2015: Matthew McConaughey's celebrity has certainly drawn a spotlight to the University of Houston - though perhaps not for the reasons the school had hoped. UH's ability to hook the Academy-Award winning Texan - most closely associated with a certain school in Austin - to deliver its first university-wide commencement in recent memory at a shiny new football stadium was supposed to be a sign of its rising stature. But news coverage soon shifted to UH's silence on the subject of how much McConaughey would make off the speech. (link)

If you have any suggestions, questions or feedback, please e-mail me at robinmk@auburn.edu. We hope you find this information useful and would appreciate hearing your thoughts. Feel free to forward this email to your direct reports, colleagues, employees or others who might find it of value. Back issues of this newsletter are available on our web site at http://www.auburn.edu/audit.

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