In the broadest sense, the term fraud encompasses actions that are meant to deceive for financial or personal gain. It’s any intentional or deliberate act to deprive another of property or money by guile, deception or other unfair means. Occupational fraud is fraud committed by people who work for, or do business with, an organization. This specific form of fraud represents a real and large risk to any organization that employs individuals.

### The ACFE Classifies Occupational Fraud Into Three Main Categories:

1. **Asset Misappropriation**: Schemes in which an employee steals or misuses on an organization’s assets. Common examples include skimming payments, receiving kickbacks, obtaining lower payments and over-stating reimbursable expenses.

2. **Fraudulent Financial Reporting**: Schemes involving unscrupulous strategies using their influence in a business transaction to obtain a personal benefit or a benefit for another person (e.g., their spouse, children, or friends). Examples of corruption schemes include taking kickbacks or the illegal receipt of interest, accepting illegal gratuities and paying bribes for favorable business decisions.

3. **Financial Statement Fraud**: Schemes involving the intentional misreporting of an organization’s financial information with the intent to mislead others (e.g., investors, debtors or government authorities). Examples include creating fictitious revenues, understating liabilities or expenses.

### The Most Common Higher Ed Fraud Schemes:

- **Payroll Schemes**
- **Financial Statement Fraud**
- **Financial Account Take Over**
- **Vendor Fraud**
- **Student Loan Schemes**
- **Scholarships**
- **Over Grants**
- **Account Take Over**
- **Vendos or Customers**

### Why do people commit fraud?

1. **Pressure**: This is a non-shareable problem — typically financial — that drives a person to commit fraud. Examples of these types of pressures include a gambling or drug habit, personal debts or poor credit, a significant financial loss, or peer or family pressure to succeed. They might believe fraud is the only solution for various reasons, such as shame, pride, or a desire to prove oneself.

2. **Opportunity**: This refers to the perceived ability to commit fraud. An employee must perceive that they have the opportunity to execute their scheme successfully. This opportunity could present itself as a lack in anti-fraud controls, like having no separation of duties, or if they have discovered a weakness in the controls. That if they have discovered.

3. **Rationalization**: Offenders use rationalization to justify or excuse their criminal behavior and to maintain a positive image of themselves. They might tell themselves that they’re only “borrowing” the money and will repay it at the first chance they get, or they could believe they’re underpaid for their work and, therefore, deserve extra compensation.

### What can be done to prevent fraud?

Every employee, regardless of position, can help prevent fraud. Organizations should consider putting anti-fraud controls in place that are proven to reduce the cost of fraud. According to the Report to the Nations, the six anti-fraud controls that showed the greatest association with lower fraud losses were:

- An established, company-wide code of conduct
- An internal audit department
- Management certification of financial statements
- External audit of internal controls over financial reporting
- Hotlines
- Management review

Organizations that provided fraud training for employees saw a 38% reduction in the median loss per fraud instance.