

Slide 1 - Slide 1

The slide features a green header bar with the Precision Skills University logo and navigation buttons. The main image shows an oil rig at night with the text 'HIGH PERFORMANCE HIGH VALUE' overlaid. Below the image, the text 'WHAT WE EXPECT OF YOU', 'MODULE 1: INTEGRITY', and 'LESSON 3: Theft, Fraud and Misuse' is displayed.

Precision Skills University
SCHOOL OF BUSINESS SUPPORT

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Precision DRILLING

HIGH
PERFORMANCE
HIGH VALUE

WHAT WE EXPECT OF YOU
MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

Text Captions

WHAT WE EXPECT OF YOU
MODULE 1: INTEGRITY

LESSON 3: Theft, Fraud and Misuse

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Precision Drilling University
SCHOOL OF BUSINESS SUPPORT
WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse
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LESSON INTRO

Welcome to

WHAT WE EXPECT OF YOU

MODULE 1: INTEGRITY

LESSON 3: THEFT, FRAUD AND MISUSE

The third lesson of Precision Drilling's Corporate Policy Compliance course.

- In Lesson 3, you will explore Precision's Corporate Policy concerning theft, fraud and misuse of company property, its consequences, and remedies.
- Once you have finished Lesson 3, you will possess an understanding of Precision's rules concerning theft, fraud and misuse and how following them is a vital ingredient in creating an ethical culture at Precision.
- When you are ready to begin Lesson 3, please click the "NEXT" button in the upper right hand corner.

Text Captions

LESSON INTRO

Welcome to

WHAT WE EXPECT OF YOU


MODULE 1: INTEGRITY

LESSON 3: THEFT, FRAUD AND MISUSE

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Precision Skills University
SCHOOL OF BUSINESS SUPPORT

WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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 **CONSIDER**

THEFT, FRAUD AND MISUSE - SCENARIO



FRAUD OR NOT FRAUD?

Which of the scenarios below would be considered fraud as defined by **Precision's** Corporate Policy?

- Scenario 1:** A contractor - that normally bills on an hourly basis - sends in an invoice to **Precision** that includes hours for work they anticipate working but have not yet performed.
- Scenario 2:** A long standing **Precision** employee submits an expense report for a phone charger he purchased with his company credit card while on vacation.
- Scenario 3:** An outside attorney bills **Precision** on an hourly basis for time worked on a **Precision** legal issue.

Which of the above scenarios do YOU think is fraud?

Text Captions

CONSIDER

THEFT, FRAUD AND MISUSE - SCENARIO**FRAUD OR NOT FRAUD?**

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Which of the above scenarios do YOU think is fraud?

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LESSON 3: Theft, Fraud and Misuse

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CONSIDER

THEFT, FRAUD AND MISUSE - SCENARIO



Fraud or Not Fraud?

Scenario 1: An external contractor submits an invoice for work not yet performed
Answer: This is fraud. The contractor is an external party attempting to falsely charge the company for work that was not performed. There is no guarantee the work will be performed - and as a business practice, contract work is paid only after it is performed.

Scenario 2: An internal employee submits an expense report for a phone charger purchased with a company credit card while on vacation
Answer: This is fraud. Personal purchases should never be made with a company credit card while on vacation. It is dishonest to attempt to expense this purchase - and deception and dishonesty is never the appropriate course of action.

Scenario 3: An outside attorney sends in a bill for time worked.
Answer: This would not be considered fraudulent activity

In this example, both the external contractor and internal employee are committing fraud by their conduct. However - the external attorney is not.

If you suspect fraud or another financial crime is being committed, it is your obligation to report it immediately. If you are unsure whether fraudulent activity is being committed against Precision, please seek advice and guidance from your supervisor or the Legal department.

Text Captions

CONSIDER

THEFT, FRAUD AND MISUSE - SCENARIO

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY


LESSON 3: Theft, Fraud and Misuse

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In each “**Observe**” section of each lesson in this course - you will be presented with selected verbage from our Corporate Policies - to study the language of the rules and to learn exactly what is expected of you.

When you are ready to move forward to “**Observe**,” please click the “**NEXT**” button in the top right hand corner



Corporate Policy

CP1 – Code of Business Conduct and Ethics

First Draft Drafting Instructions

April 2020

Integrity

As employees of Precision Skills University, we are expected to maintain the highest standards of integrity and honesty in all our dealings. This includes being truthful, fair, and honest in all our interactions with others. It also includes being open and honest about our mistakes and taking responsibility for our actions. We expect you to be a role model for others in your conduct and to uphold the values of integrity and honesty in all that you do.

Integrity Policy

The purpose of this policy is to ensure that all employees of Precision Skills University are held to the same high standards of integrity and honesty. This policy applies to all employees, regardless of their position or level of seniority. It is the responsibility of all employees to read and understand this policy and to adhere to its provisions. Any employee who is found to be in violation of this policy will be subject to disciplinary action, up to and including termination.

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Text Captions

OBSERVE

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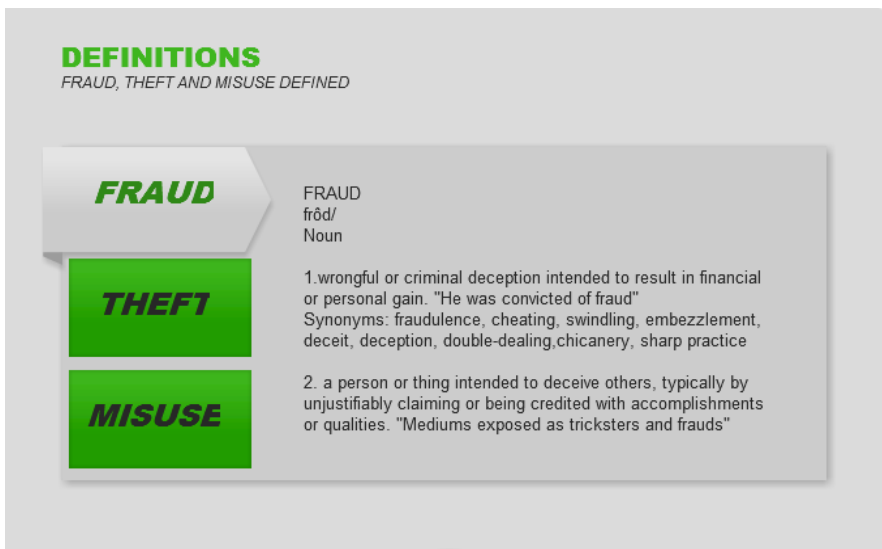
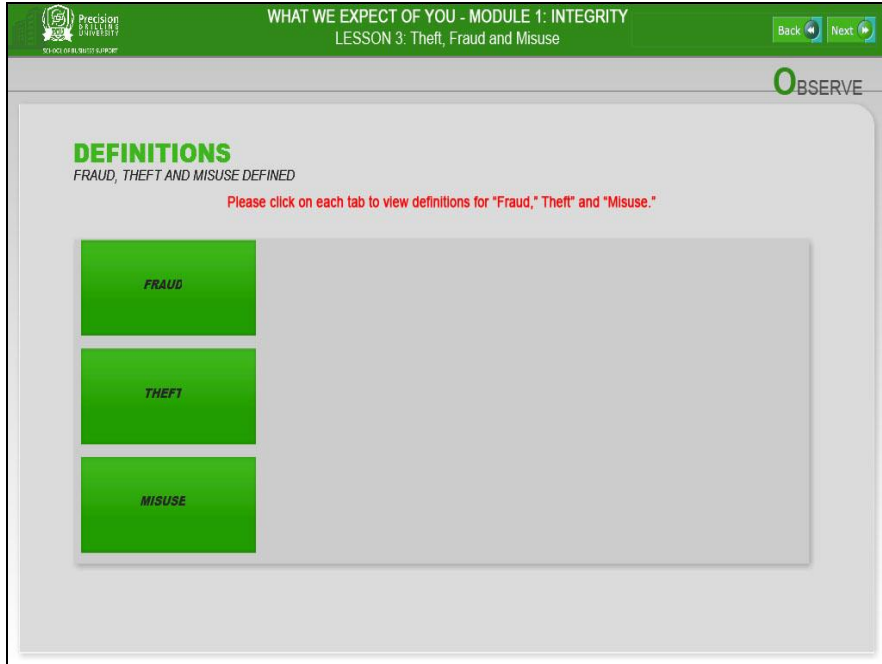
When you are ready to move forward to “**Observe**,” please click the “**NEXT**” button in the top right hand corner.

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Text Captions

OBSERVE

Please click on each tab to view definitions for "Fraud," Theft" and "Misuse."



DEFINITIONS

FRAUD, THEFT AND MISUSE DEFINED

FRAUD

THEFT

MISUSE

THEFT
/THeft/
Noun

The action or crime of stealing.

"He was convicted of theft"

synonyms: robbery, stealing, thieving, larceny, thievery, shoplifting, burglary, misappropriation, appropriation, embezzlement

DEFINITIONS

FRAUD, THEFT AND MISUSE DEFINED

FRAUD

THEFT

MISUSE

MISUSE

verb
Mis-use
mis 'yooz/

1.use (something) in the wrong way or for the wrong purpose.
"he was found guilty of misusing public funds"
synonyms: put to wrong use, misemploy, embezzle, use fraudulently

noun

DEFINITIONS

FRAUD, THEFT AND MISUSE DEFINED

FRAUD

THEFT

MISUSE

synonyms: put to wrong use, misemploy, embezzle, use fraudulently

noun
noun: misuse; plural noun: misuses
mis 'yooz/

1. the wrong or improper use of something.
"drugs of such potency that their misuse can have dire consequences"
synonyms: wrong use, embezzlement, fraud

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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OBSERVE

CP1 Policy Statement - Theft, Fraud, and Misuse



- We are all obligated to protect **Precision's** assets and ensure their careful and legitimate use.
- Theft, wasteful use of resources, and fraudulent activities are detrimental to **Precision's** goals and objectives and are prohibited.
- Do not steal, embezzle or misappropriate funds or property belonging to **Precision**.


Text Captions

OBSERVE

CP1 Policy Statement - Theft, Fraud, and Misuse

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LESSON 3: Theft, Fraud and Misuse


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OBSERVE

CP1 Theft, Fraud, and Misuse

Understanding Fraud and Financial Crime

THE COST OF FRAUD



Fraud costs the average organization
5% OF ITS REVENUES EACH YEAR.

58.4% OF VICTIM ORGANIZATIONS
don't recover any of their losses.

Fraud is a false representation of facts, through words, actions or omissions - intended to benefit the person making the misrepresentation. In other words, fraud is a deception for personal gain.

Fraud negatively impacts companies in many ways - including financial, reputation, psychological, and social implications. It can also diminish employee morale and decrease productivity.

Regardless of the motivation, fraud is wrong and can result in serious consequences, such as disciplinary action and civil and criminal penalties.

It is every employee's responsibility to understand fraud, recognize the warning signs, and do their best to prevent it.

Always follow **Precision's** policies, procedures, and controls.

Text Captions

OBSERVE

CP1 Theft, Fraud, and Misuse**Understanding Fraud and Financial Crime**

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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CP1 Theft, Fraud, and Misuse
Types of Fraud

BSERVE


Please mouse over each of the examples below for more information.

Misappropriation of Assets - using assets in a manner in which they were not intended to be used.

Examples:

- Stealing company cash
- Stealing parts from the warehouse
- Stealing office supplies

MISAPPROPRIATION OF ASSETS




Fraudulent Financial Statements - overstating company assets and/or understating liabilities in order to make a business appear financially stronger than it really is.

Examples:

- Fictitious revenues
- Understatement of expenses
- Improper asset valuation

FRAUDULENT FINANCIAL STATEMENTS




CORRUPTION

Corruption - making or receiving payments to gain undue advantage.

Examples:

- Bid rigging
- Invoice kickbacks
- Conflicts of interest

CORRUPTION



Text Captions

OBSERVE

CP1 Theft, Fraud, and Misuse

Types of Fraud

EACH MOUSE OVER BULLET TEXT FOR EACH PICTURE ABOVE IS INITIALLY HIDDEN

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CP1 Theft, Fraud, and Misuse

Why People Commit Fraud


The Association of Certified Fraud Examiners identifies the following characteristics, which together lead to workplace fraud.

Please mouse over each of the examples below for more information.

Incentive/Pressure – the need the perpetrator is trying to satisfy by committing the fraud. This can be caused by:

- Family or personal financial debts (living above one's means, having high medical bills)
- Addiction problems (gambling, drugs, alcohol)

Opportunity – the perpetrator's ability to commit fraud, caused by such things as company's poor internal controls or lack of management oversight.



FRAUD RISK

Rationale – the perpetrator's ability to justify fraudulent acts in his/her mind - for example - by convincing themselves that they are not stealing, but instead:

- They are only borrowing funds and promise themselves to return them when their situation improves
- They believe no one will notice
- They believe a small act of fraud will not have a big impact on **Precision**
- In some way, **Precision** has wronged them

Note: Fraud motivations can also be nonfinancial, such as pressure/expectations to produce results at work or a desire to hide poor performance.

Text Captions

OBSERVE

CP1 Theft, Fraud, and Misuse

Why People Commit Fraud

The Association of Certified Fraud Examiners identifies the following characteristics, which together lead to workplace fraud.

INCENTIVE/PRESSURE

"I need to hit my monthly targets"

OPPORTUNITY

"Nobody really checks"

RATIONALE

"Everyone's doing it"

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

CP1 Theft, Fraud, and Misuse
Who Commits Fraud

Fraud can be committed by an employee at any level within an organization, as well as by those outside the organization.
Please mouse over each of the examples below for more information.

CORPORATE FRAUD

Corporate Fraud - Management intentionally falsifies **Precision's** financial statements.

- Recording fictitious sales
- Purposely overbilling customers

EMPLOYEE FRAUD

Employee Fraud - Employee uses **Precision's** funds or property for their own personal use.

- Stealing office supplies or inventory from the warehouse
- Incurring excessive travel and entertainment expenses
- Making personal use of cash or assets owned by **Precision**

EXTERNAL FRAUD

External Fraud - caused by External Perpetrators - can be many things - including:

- Vendors who over or double bill **Precision**
- Customers who make false claims
- Hackers that target **Precision's** IT infrastructure and systems.

Text Captions

OBSERVE

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

CP1 Theft, Fraud, and Misuse
Recognizing Warning Signs

Please mouse over each of the examples below for more information.

OBserve

Fraud is marked by concealment and difficult to spot. It can start as a small, simple act like taking a few dollars from petty cash, but incidents can escalate over time in frequency and magnitude. It is important to note changes or small events that could indicate fraud is occurring or escalating.

DOCUMENTATION DISCREPANCIES

- Sudden/unexpected requests to destroy documents, alter data, or remove negative information from reports
- Documents that appear inadequate, misleading, or altered
- Lack of a verifiable address or contact information from vendors whose only customer is **Precision**

FINANCIAL DISCREPANCIES

- Unexplained variances between budgeted and actual amounts
- Shortages in cash or other assets
- Abnormal changes in account balances
- Unusual write-offs or other "out of the ordinary" transactions

EMPLOYEE MISCONDUCT

- Appearance of employee living beyond their means
- Employee refusal to take vacation
- Employee exhibiting defensiveness or aggression when questioned about suspicious activity
- Poor attention to, or requests to overlook, internal fraud-prevention processes and controls by employee

Text Captions

OBserve

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Precision Skills University
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CP1 Theft, Fraud, and Misuse
Your Role in Fraud Prevention


OBSERVE

A variety of tools can help you prevent fraud.


Please mouse over each of the examples below for more information.




Ask appropriate questions in your daily work and check that answers are verifiable




Seek guidance from organizational resources such as Human Resources or the Legal Department



Use and trust your natural intuition and observation skills



Review documents to ensure they have not been altered



Adhere to **Precision's** policies

Text Captions

OBSERVE

CP1 Theft, Fraud, and Misuse**Your Role in Fraud Prevention**

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EACH MOUSE OVER BULLET TEXT FOR EACH PICTURE ABOVE IS INITIALLY HIDDEN

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LESSON 3: Theft, Fraud and Misuse

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CP1 Theft, Fraud, and Misuse

OBSERVE


Your Role in Fraud Prevention

If something does not seem right in the course of your daily work, bring your concerns to a supervisor or the Legal department. If your supervisor's behavior is in question, report your suspicions to a Human Resources representative or the Legal department. You may also report your suspicions anonymously using **EthicsPoint**, which can be accessed through our external website.

Swift reporting ensures that **Precision** can investigate any questionable situations and take quick corrective action.

Precision does not tolerate or permit retaliation against anyone who makes a report in good faith.

Good faith does not mean that you have absolute proof, but that you honestly believe your report may be true and requires further investigation.



Text Captions

OBSERVE

CP1 Theft, Fraud, and Misuse

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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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In the next section of Lesson 3, you will further explore "Theft, Fraud and Misuse" through interactive Learning Activities.

When you are ready to begin this "Develop" Section, please click the "NEXT" button.



Text Captions

DEVELOP

In the next section of Lesson 3, you will further explore "Theft, Fraud and Misuse" through interactive Learning Activities.

When you are ready to begin this "Develop" Section, please click the "NEXT" button.

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The screenshot shows a presentation slide with a green header bar. On the left is the Precision Calibration University logo. The header text reads 'WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY' and 'LESSON 3: Theft, Fraud and Misuse'. Navigation buttons for 'Back' and 'Next' are on the right. Below the header is a large green frame containing a timeline graphic with seven dots. The title 'TIMELINE SCENARIO - THEFT' and subtitle 'STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES' are at the top of the frame.

Precision Calibration University
SCHOOL OF BUSINESS SUPPORT

WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

Back Next

DEVELOP

TIMELINE SCENARIO - THEFT
STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

This slide displays the content for the first step of the timeline scenario, labeled 'JANUARY'. It describes Steven joining Precision's Repair Depot and his secret plan to run a side business using company materials. The slide features a green header with the title and subtitle, a large green frame for the content, and a timeline graphic at the bottom with seven dots.

TIMELINE SCENARIO - THEFT
STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

JANUARY

Steven joins Precision working in Precision's Repair Depot. He is excited to start work for Precision. The interview process was long, but he managed to get through it without any problems and was the candidate that Precision chose for the position.

However - all along, Steven had a plan that he would operate a side business out of his garage at home, using Precision materials. His plan centered around offering similar services to some of Precision's smaller customers, undercutting Precision's prices - all the while - working for Precision in their Repair Depot.

Steven said nothing of his plan to his interviewers.

TIMELINE SCENARIO - THEFT*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES***FEBRUARY**

Now that Steven has put in one month of work in the Repair Depot, he begins to build his side business - not telling anyone, of course.

He begins by taking home with him office supplies that happen to be sitting in an abandoned closet - supplies he might need to run his business. "No one is using them - no one even knows they're there - nobody will notice a few pens, pads and staples missing" he thinks to himself. Over time, Steven takes more and more of these "abandoned" office supplies home with him.

TIMELINE SCENARIO - THEFT*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES***MARCH**

Steven starts taking bits and parts that just happen to be sitting around. While some of the parts Steven takes were bound for the trash can, some of them weren't.

Steven also takes a list of potential customers for his side business from a database on the Precision computer in the Repair Depot. This database not only contains contact information - but also sensitive information about the kinds of equipment they have and the kinds of repairs they need. Steven starts contacting these small companies - many times, during work hours - and lining up "cheaper" "better" repair services with them - undercutting Precision's prices and business.

TIMELINE SCENARIO - THEFT

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

JUNE

His side business in full swing, Steven's plate is very full. Not only is he collecting a nice salary and benefits from Precision for his work at the Repair Depot - which is of excellent quality - but he is also making even more money working out of his garage with his side business - mostly on weekends, but also sometimes in the evenings.

"Thank heavens for Precision" is his favorite thing to say.

TIMELINE SCENARIO - THEFT

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

SCENARIOS: IS STEVEN'S SIDE BUSINESS CONSIDERED "THEFT" AND "FRAUD?"

Scenario A: Is Steven stealing, since the parts are trash for the most part?

Scenario B: Does Steven's "excellent" work in the Repair Depot count?

Scenario C: Since nobody knows the office supplies are there, does it count?

Scenario D: The smaller companies get quicker, cheaper service through Steven so isn't he doing everybody a favor?

TIMELINE SCENARIO - THEFT

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

ANSWERS: IS STEVEN'S SIDE BUSINESS CONSIDERED "THEFT" AND "FRAUD?"

Scenario A: Even though some the parts are trash, they are still Precision's property. Steven is stealing Precision property.

Scenario B: Steven's "excellent" work in the Repair Depot is irrelevant.

Scenario C: Taking office supplies from Precision without any permission is stealing.

Scenario D: By taking the database of Precision's smaller customers - and the parts - Steven has committed theft, misappropriation and has a huge conflict of interest.

TIMELINE SCENARIO - THEFT

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT THEFT ISSUES

CONCLUSION

Taking office supplies home with you that you believe to be abandoned without consent is one thing - perhaps grounds for disciplinary action - Always ask first.

However - stealing Precision products and client lists - in order to start and run a side business - or any type of business - is grounds for immediate termination - and maybe even legal action on behalf of Precision.

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SCHOOL OF BUSINESS SUPPORT

WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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DEVELOP

TIMELINE SCENARIO - FRAUD

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES

Precision Pathways University
SCHOOL OF BUSINESS SUPPORT

WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

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DEVELOP

TIMELINE SCENARIO - FRAUD

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES

JANUARY

Peter is hired on by Precision into the Sales and Marketing group. In his first week, he is sent to shadow his boss, Nathan, the sales manager, on a sales call to an important client in New Mexico.

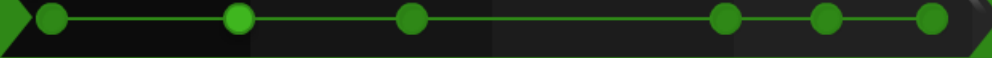
On this sales trip, Nathan foots the bill for all Peter's expenses on his own company credit card - including Peter's airplane ticket, hotel room, meals, and the rental car, which they both share.

Later on, in late January, Peter receives his own company credit card, so that he can take care of his own sales trip expenses.

TIMELINE SCENARIO - FRAUD*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES***FEBRUARY**

By this time, Peter has hit the ground running and is constantly on the road, calling on clients - which means, mostly cold calling potential clients. Peter is working hard to build up his own client base.

In addition, Peter is taking care of his own sales trip expenses with his own company credit card.

**TIMELINE SCENARIO - FRAUD***STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES***MARCH**

After Peter was issued his corporate card when he first started at Precision, recent inspection of the missing receipts report shows Peter has had two receipts missing each month in his expense report for the past three months.

Should Peter's missing receipts be considered a sign of fraudulent activity?



TIMELINE SCENARIO - FRAUD*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES***SCENARIOS**

Scenario A: Multiple and frequent expense reports with missing receipts can be considered a red flag for fraudulent behavior.

Scenario B: Multiple and frequent expense reports with missing receipts is not a big deal.

Scenario C: Multiple and frequent expense reports with missing receipts is - in itself - fraudulent behavior.

TIMELINE SCENARIO - FRAUD*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES***ANSWERS**

Scenario A: Yes - Multiple and frequent expense reports with missing receipts can be considered a red flag for fraudulent behavior.

Scenario B: No - Multiple and frequent expense reports with missing receipts can turn out to be a big deal.

Scenario C: Maybe - Multiple and frequent expense reports with missing receipts could be a red flag - but in itself - does not constitute fraudulent behavior.

TIMELINE SCENARIO - FRAUD*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT FRAUD ISSUES***CONCLUSION**

Accidentally submitting expense reports with missing receipts is acceptable if it is honest behavior and not frequent. However, repeatedly submitting expense reports with missing receipts is not acceptable and could be considered a red flag for fraudulent behavior.

Slide 18 - Slide 18

The screenshot shows a presentation slide with a green header bar. On the left is the Precision Drilling University logo. The header text reads "WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY" and "LESSON 3: Theft, Fraud and Misuse". Navigation buttons for "Back" and "Next" are on the right. The main content area has a dark grey header with the title "TIMELINE SCENARIO - MISUSE" and the subtitle "STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES". Below this is a large white rectangular area, currently empty. At the bottom of the content area is a horizontal timeline with seven green circular markers connected by a line, with the second marker from the left highlighted.

This screenshot shows the same presentation slide as above, but with the first step of the timeline populated. The text in the white content area reads:

JANUARY

Due to the dropping price in oil - and a slowdown in rig work and new rig jobs - Precision issues a company-wide pay freeze effective Q1.

The timeline at the bottom remains the same, with the first marker highlighted.

TIMELINE SCENARIO - MISUSE*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES***FEBRUARY**

Denise and Larry work in Sales. They have the following conversation:

Denise: "I can't believe Precision issued a company-wide pay freeze. It's so unfair."

Larry: "I know. My wife and I just had a baby. Everything is so expensive!"

Denise: "You should make things easier on yourself. Make purchases using the company's credit card and claim them on your expense report. It's OK to lose a receipt every now and then."

Larry: "Can I do that?"

Denise: "You can and should. If anyone mentions it, say it was an innocent mistake."

TIMELINE SCENARIO - MISUSE*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES***MARCH**

Larry takes Denise's advice and uses his company credit card to purchase things he and his wife need for their new baby, even though it may be fraud.

But it isn't his relationship with Denise that motivates him. His new financial situation - personal financial debt - is what pressures, motivates and causes Larry to commit misuse and fraud.

TIMELINE SCENARIO - MISUSE*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES*

APRIL

The personal purchases Larry made using the company's credit card last month and his expense report come under scrutiny from Larry's boss, Gary. "Where are all your receipts?" Gary asks. Kevin explains that "It's OK to lose a receipt every now and then." When Gary refuses to accept this explanation and refuses to sign off on Larry's expense report, Larry claims it was all "an innocent mistake" as Denise instructed him to do.

Should Larry be punished for committing misuse and fraud?

TIMELINE SCENARIO - MISUSE*STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES*

SCENARIOS - Should Larry be punished for committing misuse and fraud?

Scenario A: It was Denise's idea - so Denise is at fault and should be punished, not Larry

Scenario B: It's Precision's fault for the company-wide pay freeze

Scenario C: It's OK to lose a receipt every now and then - it's an innocent mistake

Scenario D: The pressure from personal financial debt makes it OK for some people to commit misuse and fraud. It's not really misuse and fraud in that situation.

TIMELINE SCENARIO - MISUSE

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES

ANSWERS - Should Larry be punished for committing misuse and fraud?

Scenario A: The fact that it was Denise's idea is irrelevant - Denise is not at fault for Larry's act, Larry is. Do not follow other people's advice to commit misuse and fraud.

Scenario B: Precision cannot help company-wide pay freezes sometimes - sometimes the price of oil impacts Precision's bottom line.

Scenario C: While it might be OK to lose a receipt every now and then - in this instance, it is not an innocent mistake - Larry's intent was to use his company card improperly.

Scenario D: The pressure from personal financial debt does not make it OK for anybody to misuse their company credit card and/or to commit fraud.

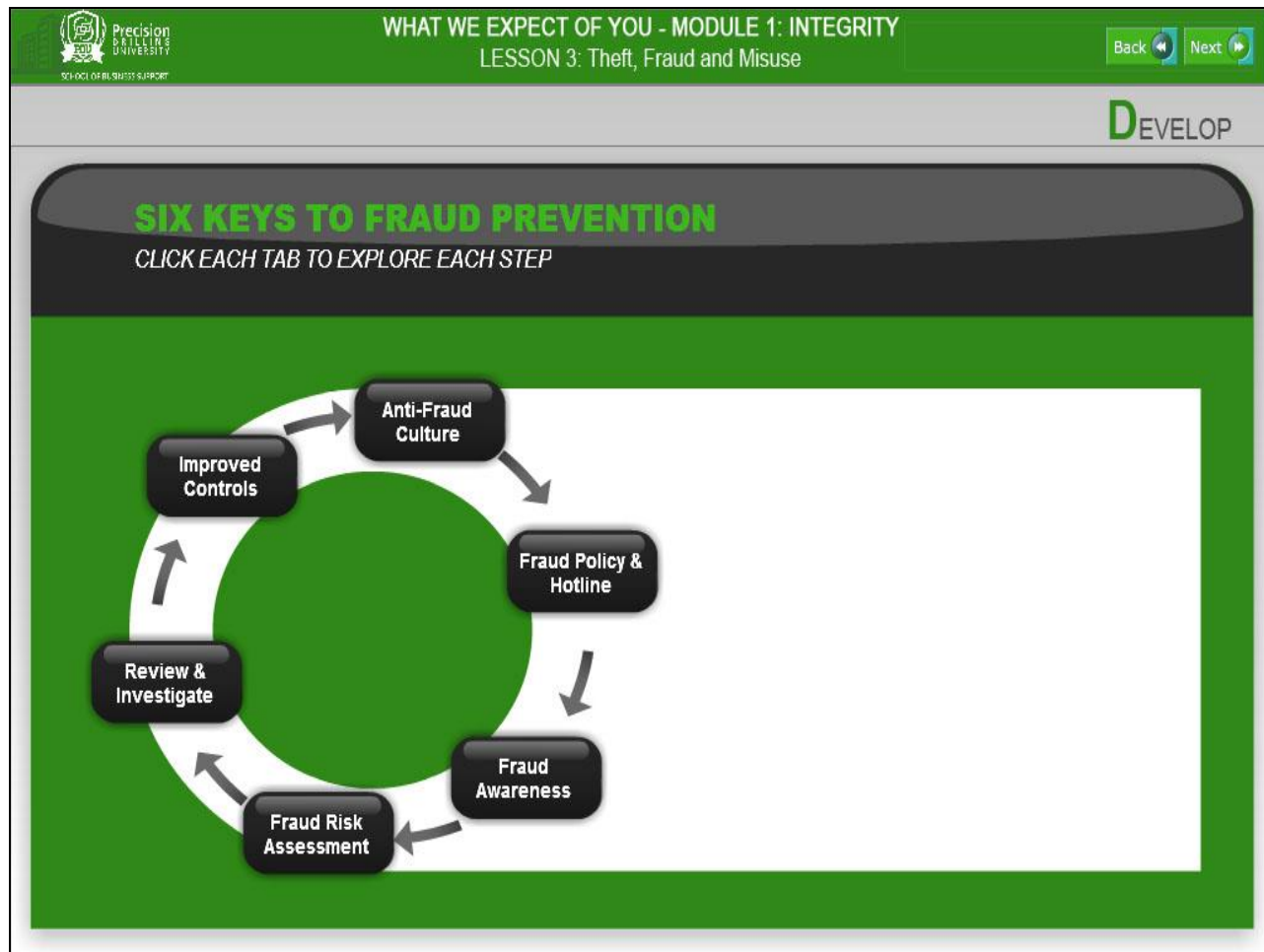
TIMELINE SCENARIO - MISUSE

STEP THROUGH THE TIMELINE TO LEARN MORE ABOUT MISUSE ISSUES

CONCLUSION

Regardless of his personal financial situation, Larry must not use his company card for personal reasons. It is "Misuse" and not acceptable to gain personally from using company assets. If you suspect misuse and fraudulent behavior, it is your obligation to report it to the appropriate internal resources.

Slide 19 - Slide 19



Text Captions

DEVELOP

1. ANTIFRAUD CULTURE BUTTON:

- LEAD BY EXAMPLE
 - Responsibility of Directors and Officers
 - Behave ethically and openly communicate expectations to employees
 - Treat all employees equally
 - Zero tolerance
- CREATE POSITIVE WORKPLACE ENVIRONMENT
 - Focus on employee morale
 - Empower employees
 - Communicate
- HIRE/PROMOTE APPROPRIATE EMPLOYEES
 - Conduct background investigations before hiring or promoting
 - Check candidate's education, employment history, references
 - Continuous and objective evaluation of compliance with entity values
 - Violations addressed immediately

- **CODE OF CONDUCT**

- Formalized and founded on integrity
 - Defines acceptable employee behavior
 - Communicated to all employees
 - All employees are held accountable for compliance

- **DISCIPLINE**

- Sends a strong message throughout the entity.
 - Should be appropriate and consistent
 - Consequences of committing fraud clearly communicated throughout the entity

- **OVERSIGHT PROCESS**

Audit Committee or Board of Directors

- Evaluate management's "tone at the top", identification of fraud risks and implementation of anti-fraud controls
 - Ensure that management implements anti-fraud measures
 - Consider the potential for management override of controls

Management

- Directs, implements and monitors anti-fraud controls
 - Sets the ethical tone
 - Trains employees

Internal Auditor

- Identifies fraud indicators
 - Assesses fraud risks
 - Evaluates anti-fraud controls
 - Recommends actions to mitigate risks
 - Investigates potential frauds

2. FRAUD POLICY & HOTLINE BUTTON:

- **FRAUD POLICY**

- Reviewed and updated regularly.
 - Signed off and agreed to by the CEO and Board Chair.
 - See the ACFE for an example Fraud Policy:
 - <http://www.acfe.com/uploadedFiles/ACFEWebsite/Content/documents/SampleFraudPolicy.pdf>

- **HOTLINE**

- Enable employees, vendors, customers and others to communicate concerns about known or suspected wrongdoing.
 - Telephone, email, internet.
 - Anonymous.
 - Adequately publicized.
 - Internal or External.
 - Complaint monitoring and investigation/resolution.

3. FRAUD AWARENESS BUTTON:

- All new employees should be trained at time of hiring on the Code of Conduct and Fraud Policy.
- Training should include:
 - Employee duty to communicate certain matters
 - A list of the types of matters to be communicated along with examples how to communicate those matters
 - Affirmation from senior management regarding employee expectations and communication responsibilities

- Refresher fraud training periodically

4. FRAUD RISK AWARENESS BUTTON:

- Conduct an annual fraud risk assessment.
 - Assists management in systematically identifying where and how fraud may occur and who may be in a position to commit fraud
 - Focus on fraud schemes and scenarios to determine the presence of internal controls and whether or not the controls can be circumvented.
- General steps:
 - Identify areas and processes to assess
 - Identify potential fraud schemes in each area/process
 - Assess likelihood and significance of each scheme
 - Map existing anti-fraud controls to potential fraud schemes
 - Test operating effectiveness of antifraud controls
 - Identify any control gaps and/or deficiencies= Residual risks
 - Document and report on the fraud risk assessment
- Mitigate Fraud Risks
 - Make changes to activities and/or processes = transfer or eliminate the risks Improve anti-fraud controls
- Monitor Fraud Risks
 - Develop data analytics for management to use to monitor fraud risks
 - Utilize Internal Audit to conduct audits of risk areas.


5. REVIEW & INVESTIGATE BUTTON:

- All concerns/suspicions of wrongdoing should be reviewed and determination made whether a fraud investigation is warranted.
- Develop a policy for fraud reviews and investigations that specifies:
 - Who is responsible for the review/investigation
 - Roles of Legal Counsel, Human Resources, Internal Audit, others
 - Process for conducting the review/ investigation
 - Documentation requirements
 - Reporting requirements
 - When to involve law enforcement
- Gather sufficient information and perform procedures necessary to determine:
 - Whether fraud has occurred
 - Loss or exposure associated with the fraud
 - Who was involved and how it happened
- Must prepare, document and preserve evidence sufficient for potential legal proceedings.
- Include experts = Certified Fraud Examiner (CFE)

6. IMPROVED CONTROLS BUTTON:

- Use lessons learned from any fraud reviews or investigations to improve anti-fraud controls.
- All fraud review and investigations should include a report to management with recommendations for control improvement

Slide 20 - Slide 20



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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

BackNext

EXAM

In the final “**Exam**” section of Lesson 3, you will be asked some simple questions as Knowledge Checks to showcase your mastery of Lesson 3 course material.

When you are ready to take this short, ungraded quiz, please click the “**NEXT**” button.




Text Captions

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Slide 21 - Slide 21



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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

Multiple Choice

EXAM

Review Area

You must answer the question before continuing.

Question 1 of 5

<<

>>

Submit

Text Captions

EXAM


Please select the best answer

Which of the following could be indicative of fraudulent behavior?

- A) A vendor who maintains a verifiable address or contact information
- B) An employee who adheres to her organization's recordkeeping practices
- C) An employee whose pay was cut because he routinely showed up late for work
- D) None of the Above

Question 1 of 5

Slide 22 - Slide 22



WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

Multiple Choice

EXAM

Please select the best answer

Deep Drilling Inc. and Precision are working on a contract where Precision will provide three rigs to Deep Drilling. Richard, the credit analyst, receives Deep Drilling's bank statements as part of Precision's new customer approval process. During his review, Ethan notices specific red flags that raise questions in his mind. What should Richard do?

☐ A) Report the bank to banking authorities for the information submitted by Deep Drilling

☐ B) Report Deep Drilling to legal authorities for falsifying bank statements

☐ C) Do nothing; it could be that Deep Drilling inadvertently sent the wrong statements

☐ D) Decline to process the application and brand Deep Drilling as a fraud

☒ E) Talk to his supervisor and inquire about the next step

☐ F) None of the above

Review Area

You must answer the question before continuing.

Question 2 of 5

<< >>

Submit

Text Captions

EXAM


Please select the best answer

Deep Drilling Inc. and Precision are working on a contract where Precision will provide three rigs to Deep Drilling. Richard, the credit analyst, receives Deep Drilling's bank statements as part of Precision's new customer approval process. During his review, Ethan notices specific red flags that raise questions in his mind. What should Richard do?

- A) Report the bank to banking authorities for the information submitted by Deep Drilling
- B) Report Deep Drilling to legal authorities for falsifying bank statements
- C) Do nothing; it could be that Deep Drilling inadvertently sent the wrong statements
- D) Decline to process the application and brand Deep Drilling as a fraud
- E) Talk to his supervisor and inquire about the next step
- F) None of the above

Question 2 of 5

Slide 23 - Slide 23



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True/False

EXAM

Missing receipts from an expense report could be considered a sign of fraudulent activity.

☒ A) True
☐ B) False

Correct - Click anywhere or press 'y' to continue.

Incorrect - Click anywhere or press 'y' to continue.

You must answer the question before continuing.

Review Area

Question 3 of 5

<< >>

Submit

Text Captions


EXAM

Missing receipts from an expense report could be considered a sign of fraudulent activity.

- A) True
- B) False

Question 3 of 5

Slide 24 - Slide 24



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LESSON 3: Theft, Fraud and Misuse

True/False

EXAM

A plan created by upper management to understate company finances and payables in order to make it through a rough quarter is an indication that fraud might be happening.

☒ A) True
☐ B) False

Correct - Click anywhere or press 'y' to continue.

Incorrect - Click anywhere or press 'y' to continue.

You must answer the question before continuing.

Review Area

Review Area

Question 4 of 5

<< >>

Submit

Text Captions


EXAM

A plan created by upper management to understate company finances and payables in order to make it through a rough quarter is an indication that fraud might be happening.

- A) True
- B) False

Question 4 of 5

Slide 25 - Slide 25



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WHAT WE EXPECT OF YOU - MODULE 1: INTEGRITY
LESSON 3: Theft, Fraud and Misuse

True/False

EXAM

Including personal expenses on expense reports for activities engaged in while traveling on Precision business trips - for example - sightseeing/expensive dinners with significant other - is always permissible.

☐ A) True
☒ B) False

You must answer the question before continuing.

Review Area
Review Area

Question 5 of 5

<< >>

Submit

Text Captions


EXAM

Including personal expenses on expense reports for activities engaged in while traveling on Precision business trips - for example - sightseeing/expensive dinners with significant other - is always permissible.

- A) True
B) False

Question 5 of 5

Slide 26 - Slide 26



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LESSON 3: Theft, Fraud and Misuse

Results

You Scored: {score}

Maximum Score: {max-score}

Correct Questions: {correct-questio

Total Questions: {total-questions}

Accuracy: {percent}


Attempts: {total-attempts}

Continue

Review Quiz

Review Area

Slide 27 - Slide 27



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LESSON CONCLUSION

Congratulations!

You have successfully completed "Lesson 3: Theft, Fraud and Misuse" - the 3rd lesson in **Module 1: Integrity** of **WHAT WE EXPECT OF YOU - Precision Drilling's** Corporate Policy Compliance course!

In Lesson 3, you explored **Precision's** Corporate Policy concerning theft, fraud and misuse of company property, consequences, and remedies.

Now that you have finished Lesson 3, you possess an understanding of **Precision's** rules concerning theft, fraud and misuse and how following them is a vital ingredient in creating an ethical culture at **Precision**.

When you are ready to begin the next lesson, please click the "NEXT" button in the upper right hand corner.

Text Captions

LESSON CONCLUSION

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